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SMALL TIMBER OPERATORS IN OREGON'S FUTURE

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HEARING

BEFORE THE

SUBCOMMITTEE ON TAX, ACCESS TO EQUITY CAPITAL AND BUSINESS OPPORTUNITIES

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

OCTOBER 14, 1985

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SMALL TIMBER OPERATORS IN OREGON'S FUTURE

MONDAY, OCTOBER 14, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TAX, ACCESS TO EQUITY
CAPITAL AND BUSINESS OPPORTUNITIES,
COMMITTEE ON SMALL BUSINESS,
Portland, OR.

The subcommittee met, pursuant to notice, at 9:15 a.m., in city council chambers, Portland, OR, Hon. Thomas A. Luken (chairman of the subcommittee) presiding.

Mr. LUKEN. This field hearing of the Subcommittee on Tax, Access to Equity Capital and Business Opportunities, will come to order. My name is Tom Luken, and I'm a Member of the House of Representatives from Cincinnati, OH. I have been invited here by your Representative Ron Wyden. This is a meeting—in fact it is a hearing, of the Small Business Subcommittee on Tax, Access to Equity Capital and Business Opportunities. Obviously, the hearing emphasizes the latter two, business opportunities and access to capital. And we are here at the invitation of Ron Wyden, who is a member of the Small Business Committee. As a matter of fact, the gentleman from Oregon, I might say at the outset that you may hear me refer to my good friend Ron as the gentleman from Oregon, and he might refer to me as the gentleman from Ohio. That is a traditional thing, it is done. And when I first went to Congress, I did not know why, but I found out after a few years there that the reason is to increase the civility, to cut down on the truculence and the belligerence which might occur in those heated debates. It cuts down the bloodshed on the floor of the House of Representatives. So that is why we use such stilted language. But we are here at Ron's invitation, because he is concerned about the bureaucracy, and our Small Business Committee is an advocacy committee among other things. We are most concerned about small business which is most businesses when you come right down to it. We are concerned about the bureaucracy, the excessive regulations, the paperwork, all of those matters which are a burden to business and therefore to the economy in this great country of ours. I would like to comment for just a moment about your Representative Ron Wyden. I have known him since he has been in the Congress. Not only are we friends and we share responsibilities in the Small Business Committee, but also on the Energy and Commerce Committee. And as you are aware, I am sure, he is a very prolific Representative. He has a great number of ideas whirling around in that head

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of his, and he keeps us honest and he keeps us on our toes. They are all good ideas, but many of them result in legislation or result in an improvement of our Government through cleaning up the regulations which are a burden to our business opportunities. He is always in search of an answer, and he usually has got one, so we are very appreciative to the people of Oregon, the people of Portland. And this timber problem is the kind of an issue which affects his community and his constituency, and I am concerned. I think that I can assure you that all of the Members of the House of Representatives are just as concerned about timber, about business opportunities in Oregon as we expect that Ron is concerned. And he is concerned about things like machine tools, or soap that is produced in my district in Cincinnati. So we are equally concerned about these issues, because they affect jobs. We are concerned about exporting jobs. We are concerned about imports today. We work together on that kind of legislation. So I am here at Ron's invitation. I am here because these issues that we are going to take up today are of importance to all of America, and of importance to all of the Members of the House of Representatives. And I am happy to be here at his invitation, and to share the panel here. At this time, I will turn over to him the gavel. So that he who understands this community and these issues perhaps a little better than I, will be the chairman of this committee and I will be glad to assist him. Thank you, Congressman Wyden.

OPENING STATEMENT OF CHAIRMAN LUKEN

I'm pleased to be here this morning in the Northwest to examine the plight of the timber industry. The subcommittee has come to Portand at the request of your Congressman, Ron Wyden. I have the privilege of serving with Ron not only on the Small Business Committee, but also on the very powerful Energy and Commerce Committee which has important jurisdiction over many of the issues affecting your community.

Our Small Business Committee feels it is important to get outside of Washington, DC and hear from you, the Nation's workers and citizens, what your concerns are and how we should approach the solutions. In Washington we are often surrounded by special interest lobbyists, so it is refreshing to be with you today and hear a different view. I find that I learn a great deal when I hold field hearings to help me better understand problems and get the information necessary to pass legislation.

I am not from a timber-producing area but I do understand the concerns that small timber operators are having in today's competitive markets. Some of the problems you face, such as high interest rates and unfair foreign competition affect many of my small manufacturers back home in Cincinnati, OH. I understand that increasing Canadian imports have caused many smaller timber mills to close their doors.

Today, we'll be hearing about the problems you must confront that have led to a 25 percent decrease in the Northwest wood products industry since 1979.

We'll be interested to hear about the role of the Forest Service and the Small Business Administration in administering the laws which affect how you do business.

I'm also interested in your views regarding the proposed tax reform. I chaired a Small Business subcommittee hearing in Cincinnati in late August on tax reform. One of my witnesses was an owner of a small tree farm in Alabama. He detailed what the proposed changes in the tax laws would do to his business. He stated that the administration's plan would directly discourage all forms of tree farming. Capitalization of costs, eliminating the current capital gains treatment for timber, and management and reforestation credits would greatly harm the industry.

Again, we are here to listen to you. Your able Congressman has recognized that you are experiencing difficult problems and we want to know how we, as Members of Congress can help you. Thank you for inviting me, now we will hear from Mr. Wyden.

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OPENING STATEMENT OF HON. RON WYDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WYDEN. Tom, let me say thank you very, very much for coming. I do not think that the audience is aware that this is a recess period when you could surely be somewhere other than listening to the concerns of Oregonians and my constituents. For those of you in the audience, Tom is Pete Rose's Congressman among many other things, and he brings a very distinguished background to Oregon and to this hearing. He and I have worked together on a whole host of issues in my 4½ years on both the Energy and Commerce Committee and the Small Business Committee. Tom has a great capability to look at the future, and to look at what we ought to be doing beyond the end of our nose. I am not sure that he remembers, but I want to remind him of our work on the computer crime legislation in the last Congress. We have had a whole host of issues that we have been involved with on the Subcommittee on Health of the House Energy and Commerce Committee. And I tell you that it is traditional for Members of Congress saying nice things about their colleagues. But I do not have to do it because it is a tradition with Tom Luken. I do it because he is somebody who always delivers for the working people. Tom, we appreciate you being here today. Suffice it to say that there are not a lot of timber mills in Tom's Cincinnati congressional district. But what goes on in Oregon is going to affect that congressional district and all of the districts around the United States. It is going to affect home ownership and the prices that young people are going to pay for homes. And I think that that is why this is such an important issue. I just have a couple of quick comments to make before we go to our very able witnesses. The reason that I have asked the House Small Business Subcommittee to come to Oregon today is because our State small timber operators are at a crossroads. High interest rates, an empty administration housing policy, and out-of-control timber bidding fueled by speculators who do not own their mills has taken its toll. It is an undeniable fact that many small timber operators have already gone out of business.

Yet without the timber contract relief legislation that was passed by Congress last year, there would be little left of Oregon's small timber companies, and no need for this hearing. However, Congress did pass this landmark legislation, and that is why I think that we are at a crossroads today.

The small timber operators that are left, the small timber operators that are left after we got that legislation passed, are some of the leanest, and most efficient, and most effective operators in the world today. Now, this is not a statement that I have taken at face value from timber operators. Over the last few months, I have visited a variety of different mills in a number of different communities around our State. And what I saw on those visits was that some our best and brightest business leaders are trying to face enormous challenges, and they are trying to meet them head on. Instead of succumbing to the external forces that have chipped away at their competitiveness, the imports and international competition, they are fighting back, and they are doing it by investing in better equipment, and still more productivity, and still more effi-

ciency. Yet despite these very good efforts, many of them are finding it hard to stay afloat. And that is what this hearing is all about. We want to find out why, and we want to find out what we can do about it.

In looking at the dilemma, it is important to consider the one distinguishing feature that sets small timber operators apart from others in the small business community and the corporate business community as well, is the Federal Government because it is the major supplier of raw materials, is literally a business partner of the small timber operator. And it is my view that if Oregon's small business timber operators are to survive and to thrive in the future, that the Government is going to have to become a better partner.

In a normal business if partners are at odds with one another, the business usually suffers. It is the same with Oregon's small timber operators. Time and time again, we have heard from those small operators expressing deep frustration at decisions that are made by their partner, the U.S. Forest Service. To be fair the Forest Service is not charged with doing whatever the timber industry tells it to do. The Forest Service cannot act at the behest of any one group at the expense of the public interest, but the job of the Forest Service is to consider all viewpoints and all competing interests, and then come down on the side of Oregonians, on the side of the citizens of our State. But I have already heard too many stories of foolish bureaucracy that tell me that the Forest Service can and must do a better job.

So we are at that crossroads. We have got a lean and mean timber industry today, smart and efficient that survived the most brutal recession in the last 50 years. Yet their fate, to a great extent, rests in the hands of a fickle and sometimes uncooperative partner, the Federal Government. I hope to find out today what suggestions these small timber operators have for their partner and hope to find out what the Forest Service plans to do to ensure a balanced, reliable, economical and certain timber supply for Oregon's future.

Now we are going to hear from our witnesses today that the stakes are very great. Oregon accounts for about one-fourth of all lumber and plywood produced in the United States. The value exceeds $2.5 billion annually. Moreover, it represents one-third of Oregon's total manufacturing employment with an annual payroll of $1.5 billion. Timber sales from public lands are a major source of funds for our schools, roads, and our local government services. Other Oregon industries and services—equipment, machinery, transportation engineering, and contruction, all of them feed off of the timber industry.

One example of how the forest products sector interlocks with the regional economy of our State was demonstrated to me when I visited a timber mill in Eugene in August. We arrived at the mill, got out of a car, and the very first piece of equipment that I saw when I got out of that car was a giant log lifter that was built in my congressional district in Portland. So, the connection is very simple and very direct. When timber mills are operating in Eugene, and around our State, machine tool workers in the Third Congressional District have jobs. And if mills in Eugene and other

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areas around the State are shut down, we are going to lose those jobs in the Third Congressional District.

Diversification is a critical component in Oregon's economic development strategy. But the time has come to recognize that timber must continue to be Oregon's mainstay industry. And the time has come to recognize that the Federal Government must become a better partner if the industry is to reach its potential in meeting the needs of Oregonians and Americans throughout the country.

I hope this hearing can lead us to a better understanding of these challenges, which, in turn, should lead to solutions that will make a better and stronger Oregon.

We have some very able and really informed witnesses which I think are going to help the committee look at these issues, and I look forward to their testimony.

I would like to do one other thing at the outset. There has been a very excellent and balanced set of articles in the Oregonian over the last 3 days on the concerns of people in wood products. And without objection, I would like to have those entered in their entirety into the record of the hearing. Hearing no objection, that will be so ordered.

[The articles referred to are being held in subcommittee files.]

Mr. WYDEN. With that, let us go right to our witnesses. Our first witnesses will be Mr. Joseph W. McCracken, president of Western Forest Industries Association; and Mr. Arnold Ewing, executive vice president of the North West Timber Association. Gentlemen, we welcome you. And if you will come forward, we look forward to your testimony. Why do we not begin with you, Mr. McCracken.

TESTIMONY OF JOSEPH W. McCRACKEN, PRESIDENT, WESTERN FOREST INDUSTRIES ASSOCIATION

Mr. MCCRACKEN. Mr. Chairman, Congressman Wyden, we are very pleased, and we would like to welcome the gentleman from the State of Ohio to the great State of Oregon. I am Joseph McCracken, Western Forest Industries Association. Our association represents small and independent lumbermen, approximately 100 of them, who manufacture lumber and plywood in 7 Western States. This hearing on the subject of small and independent timber operations in the future of Oregon is very timely and appropriate.

First, a word about the forest industry in Oregon. Despite everything that we have been reading in the papers over the past several years, this industry is still a very substantial industry. Today approximately 77,000 people are directly employed in this industry in Oregon. Approximately 35 percent of the manufacturing payroll in this State is forest products, far and away the largest manufacturing payroll. Of course, the challenge, as you said, Mr. Wyden, is to maintain this industry, and hopefully in time to increase employment back to prior levels.

What has been happening over the past few years and has been happening in a most dramatic fashion is a restructuring of this industry. Generally, the industry for employment purposes and statistics is divided into lumber and wood products which is plywood,

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lumber manufacture, and logging; and the other side is pulp and paper manufacturing. In Oregon, about 88 percent of our employment is in lumber and wood products.

The major restructuring has taken place in lumber and plywood manufacture. Only a few years ago, small and independent lumber and plywood manufacturers and the large publicly held companies were roughly equal partners in this State. That has changed. There has been a major exodus of large publicly held companies in lumber and plywood. Their place is being taken by small and independent lumber and plywood manufacturers. This is not something that we take any pleasure in, and it implies no criticism whatsoever. The facts are simply that the economic conditions do not and have not existed for the investments needed to continue in business, and the large publicly held companies have availed themselves of opportunities to invest their capital elsewhere. I have in the statement a list of 10 illustrations, that I will not repeat here, of the restructuring that I am talking about. This restructuring has been painful. It has resulted in periods of extreme unemployment in many Oregon communities. And there has been great stress and pain on other small businesses in these communities when this has occurred.

Many of the mills will never reopen again, but many of them have reopened. Many of the mills who had union crews now have nonunion crews. And in many cases, the wages have been curtailed and slashed. One might wonder why small independent mills are taking over in these areas. Part of the answer is lower wages, and partly more efficient operations and higher productivity. But even with the small mills taking over, it still is not a profitable picture.

The basic fact of life in the forest products industry of the United States and Canada is that there is too much capacity to produce lumber and plywood and too much is being produced, even though the consumption of lumber and plywood in Canada and the United States is at an all-time high. The return per unit of production is very low, and profits are low or negative. We are but one of many industries in this country facing this problem. In these situations, the marketplace is the arbiter of who stays in business. The low-cost producers will survive, and the high-cost producers will not.

One statistic I think says a lot about Oregon. In 1979, it took 4½ workers to produce 1 million board feet of lumber. In 1984, 5 years later, 3.4 workers produced that. It is a productivity increase unprecedented in the history of our industry.

In summary, while the forest products industry in Oregon is changing significantly, it is still a very substantial industry. It is still the largest manufacturing employer by a wide margin. It is a different industry, and its future will depend on whether we can return it to profitability.

A few economic facts before I go to the picture of the future. I list here lumber consumption. We had a serious dip in lumber consumption in Oregon in the recession recently, but we are up back almost to the level of 1979.

In structural panels and plywood, not quite as much of a return as one would hope, but we are still by all odds the largest panel producer in the United States. A significant barometer of economic

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activity in our industry is the log harvest in this State. It tells you what is going on in economic activity.

The highest levels that we have had since World War II was at the level of 9.5 billion feet. The lowest level in 1981 and 1982 was about 5.5 billion. That tells you what happened. We are back to about 7.5 billion feet now. We are kind of back halfway between the extremes.

In terms of employment, the highest level that we have had in recent years was 91,000 employees in 1979. In 1982 with the dip of the recession, we had dropped 26,000 employees down to 65,000. We are now back to 77,000. So we have regained 12,000 of the 26,000 that we lost.

The most interesting statistic of all, however, is this. In 1979, the State harvested 7.7 billion board feet of timber from all ownerships. This harvest supported an employment level of 91,000. In 1984, last year, we harvested 7.6 billion, almost the identical volume of timber. That supported an employment level of 75,000—16,000 fewer employees for the same volume of timber. And the reason for that is increased productivity.

What of the future? I wish that I could say that after the stormy and troubled waters of the past few years that calm seas are now ahead of us. Unfortunately, that does not appear to be the case. Oregon does not need bad news, heaven knows, but we need to be realistic and look at the facts.

The health of our industry will fundamentally depend upon an adequate supply of timber under terms and conditions that will enable us to compete with the onslaught of Canadian lumber and structural panels. More than ever in history, we will need an adequate supply of timber from Federal and State lands. Not only will we need adequate volumes, but the terrible uncertainties of this supply from Federal lands will have to be minimized. It is the supply and predictability of supply from the major public timber owner, the U.S. Forest Service, that is in a desperate condition. There are three aspects of this that I will touch upon briefly.

First, the 1974 and 1976 acts of Congress mandate that there be forest planning for the national forests. This has been a major exercise. Hundreds of millions of dollars has been spent on this planning exercise. We are now becoming aware of what could be the results of this planning exercise in Oregon.

Up until last year when Congress passed the Oregon wilderness bill, the sustained timber harvest on the Oregon forest was about 3,874 million board feet.

Mr. WYDEN. I want to hear that number again.

Mr. MCCRACKEN. 3,874 million board feet.

After the Oregon wilderness bill of last year, the level was 3,742 million board feet. In other words, the Oregon wilderness bill reduced the permitted harvest by about 132 million board feet. The forest products industry now estimates that the forest plans which are now coming to a head if presented in the way that it appears would result in a third alternative timber harvest of about 2.6 billion feet, a reduction from the current plan levels of 1,150 million board feet. That is approximately nine times the reduction caused by the Oregon wilderness bill. One can only be amazed at the fact that the U.S. Department of Agriculture vigorously opposed the

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Oregon wilderness bill because of the excessive wilderness acreage, consequent timber reductions, and severe impact on local communities.

There is another irony that under the 1974 act of Congress which mandated that the Forest Service establish goals nationwide and locally for all resource goals of the country has come up with timber allocation goals which are at the current levels or even higher; but despite this, as I say, the planning exercise, which has been costly and time consuming, can and will lead to a devastating conclusion if something is not done.

I have to say that I can compare the planning process to—that it is kind of like the Vietnam of forest resource management in this country. The Forest Service has reported that over $100 million has been spent in this region alone. It is understandable that the Service would not like to admit that this expenditure has been less than productive.

But the timber reductions that we see coming would cost the country more than $110 million a year and the Oregon counties between $40 and $50 a year. So that is No 1. Forest planning will lead this industry evitably if this occurs to a crisis desperation bidding situation which put us in trouble in the 1970's.

The second part of this problem is the problem of the roadless areas in the national forests. The Oregon delegation last year when the Oregon wilderness bill was passed stated throughout and at the conclusion that it was your objective that this problem of roadless areas would be resolved. Those that should be wilderness were put into wilderness, and the rest were supposed to be freed up for management including timber harvest.

That is not the case. Because of the laws and the ways that they have been interpreted by the courts here, the court of appeals in particular, the Forest Service even with the forest plans if they come out will be unable to go into roadless areas without site specific environmental impact statements, and cumulative analyses, and worse, case analyses.

No forest that we have seen or can envision will permit this. The Oregon Natural Resource Council in recent weeks has stated publicly, as we read it, that they will do everything in their power to keep timber sales out.

And as one top official at the Department of Agriculture has told us privately in recent weeks, Oregon is about at 1 minute to midnight. And if we cannot get into these roadless areas 3 or 4 years down the road after the bought-out timber is resold, the timber sale program in this region will be decimated.

The last thing that I would say, the other part of our crisis, is the threat of other types of litigation. This year in 1985 the National Wildlife Federation has been involved in an appeal process with the Department of Agriculture where they have stated that they would go to court to stop timber sales in old growth timber in this region.

The Forest Service studied the implications of such litigation, and determined that over half of the timber sale volume in this region would be stopped if such a lawsuit were filed.

We did breathe a sign of relief a few weeks ago when the Wildlife Federation stated that they would not file suit in 1985. But we

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are not at all convinced that they will not file such a suit or someone else would file such a suit in 1986.

It is this type of difficulty in Federal timber that is gnawing at the ability of this industry, and our industry in particular, to have a profitable future.

I welcome the opportunity to put a few of these remarks on the record. It is not with pleasure that I do so. But I think that if we are going to deal with the problem that we have to start talking about it. Thank you very much, Mr. Chairman.

[Mr. McCracken's prepared statement follows:]

PREPARED STATEMENT OF JOSEPH W. MCCRACKEN, PRESIDENT, WESTERN FOREST INDUSTRIES ASSOCIATION

SMALL AND INDEPENDENT TIMBER OPERATORS IN OREGON'S FUTURE

Mr. Chairman, Members of the Committee, on behalf of the Western Forest Industries Association, we would like to welcome you, Mr. Chairman, back to Portland and we are very pleased to welcome Congressman Lukens to the great State of Oregon. This hearing and the subject matter are timely and appropriate.

First, a word about the forest products industry in Oregon. Despite everything we have been reading in the newspapers over the past several years, there is still a very substantial forest products industry in this state. About 77,000 people are directly employed at the present time. Approximately 35% of the manufacturing payroll in the state is in forest products -- far and away the largest manufacturing payroll in the state. The challenge is to maintain the forest products industry in the strong role it now has, and hopefully, in time, to increase employment back toward prior levels.

What has been happening over the past few years and happening in a most dramatic fashion is a restructuring of the forest products industry in this state. The forest products industry is divided into two parts for purposes of employment statistics -- one part is lumber and wood products which consists principally of logging and the manufacture of lumber and plywood. The other sector is pulp and paper manufacturing. In Oregon, approximately 88 percent of the forest industry employment is

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in lumber and wood products.

The major restructuring has taken place in the lumber and wood products sector. Only a few years ago, the small and independent lumber and plywood manufacturers and the large, publicly held companies were roughly equal partners in this large part of our industry in Oregon. There has been a major exodus of the large, publicly held companies in lumber and plywood manufacture. Their place is being taken by small and independent lumber and plywood producers. In other words, today, as compared to 1978, the proportion of the forest products industry represented by small and independent businessmen has gone up very significantly. We do not imply criticism of publicly held companies, nor do we take pleasure in this development. The facts are, simply, that the economic conditions do not and have not existed for the investments needed to continue in business and the large, publicly held companies have availed themselves of opportunities to invest their capital elsewhere where economic conditions are better.

Many of the large mills that have closed have been taken over and are now being run or will shortly be run by small and independent businessmen. A few examples:

(1) Champion International closed a major plywood plant in Willamina, Oregon. In due course, that plant was taken over and put back into production by an independent group.

(2) Weyerhaeuser closed a major plywood plant in North Bend, Oregon. That plant has been taken over and is now operating under the aegis of

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Sun Studs, a small independent business headquartered in Roseburg, Oregon.

(3) The Edward Hines Lumber Company closed a major sawmill in Burns, Oregon. That mill was taken over and is now operating again. The owners are small, independent lumbermen. The same thing happened to the Edward Hines sawmill in John Day, Oregon.

(4) Two major plywood operations in the Lebanon, Oregon area were closed by Champion International and Boise Cascade Corporation. Those plants have been taken over by independent businessmen. One of the plants is in operation - the other one will go into operation by the end of this year.

(5) The Hudspeth Company closed sawmills in Prinevilleand John Day, Oregon. The Hudspeth Company was a small, independently-owned lumber company. Those mills have been taken over by other small independent businessmen. They are not yet back in production.

(6) The Hobin Lumber Company, a small, independently owned company consisting of three sawmills in Philomath, Oregon, has been taken over by another small independent business group. Those mills are now operating.

(7) A dimension sawmill in Olympia, Washington, owned by a small businessman was closed. It has now been purchased by another small business group and will shortly be operating again.

(8) A dimension sawmill owned by a small businessman in Sedro Woolley, Washington was closed due to bankruptcy. Another small business group has taken over that mill. It is now back in production.

(9) A major sawmill in Estacada, Oregon, outside of Portland, was

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owned and operated for many years by Crown Zellerbach and is now owned and operated by an independent small business concern.

(10) A sawmill in Marysville, Washington, operated by Dant and Russell, a publicly held company, was closed. It has been taken over by a small, independent business concern and will be operating again.

These are just a few of the many examples of the restructuring that has recently been taking place in this industry. It is always the closures which receive the attention. Less attention is given to the restructuring and the re-openings. It is also true that many mills have been closed and are not yet back into production and may never go back into production. This process of restructuring has been painful. There have been considerable periods of time when unemployment in many local communities was very high. The economic stress on other small business concerns, and indeed the entire population of these small communities, has been real and serious. Many mills that were manned by union crews are now manned by non-union crews. The wages and pay scales in many of the plants have been reduced.

One might wonder why small, independent businessmen are taking over to a substantial degree the vacuum created by the closures of plants owned by publicly held companies. The answer is partly in lower wages, partly the plants can be more efficiently operated by small concerns — substantially higher productivity. It should also be said, however, that even for the small, independent firms, the profit picture is still not bright.

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The basic fact of life in the forest products industry of Canada and the United States is that there is too much capacity to produce lumber and plywood and too much is being produced, even though the consumption of lumber and plywood in Canada and the United States is at all-time highs. The return per unit of production is very low and profits are low as negative. We are but one of many industries in this country facing this problem. In these situations, the marketplace is the arbiter of who stays in business and who does not, and the marketplace can be brutal. The low-cost producers will survive. The high-cost producers will not. This is part and parcel of the "Catch-22" we are in. Survival of operating entities in the forest products industry demands the lowest possible fixed costs. The greater the volume production for a given unit in this industry, the lower the fixed cost. The economic compulsion to increase production is, therefore, obvious. Increased production per unit has grown enormously, further compounding the problem of too much production.

One statistic says it all. In 1979, in Oregon and Washington, it took 4.5 workers to produce a million board feet of lumber. In 1984, 3.4 workers produced the same amount - a productivity increase unprecedented in the history of our industry.

In summary, while the forest products industry in Oregon is changing significantly, it is still a very substantial industry in this state. It is still the largest manufacturing employer by a wide margin. It is a different industry. The future will depend on whether small and independent business can survive and be profitable.

A few economic facts are relevant at this point.

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A. Lumber Consumption and Production:

U. S. Consumption		Western U.S. Production	
1979	40.6 billion bd.ft.	1979	18.7 billion bd. ft.
1984	43 " "	1984	17.9 " "
1985 (est)	43.1 " "	1985 (est)	17.0 " "

Between 1979 and 1984 there was, of course, a major recession and dip in lumber production. But as these statistics show, in the West as of 1984, we had recovered almost to the level of 1979, the year prior to the recession. Unfortunately, in 1985 there is an estimated one billion foot reduction in Western production. A disproportionate amount of the reduction will be in the coast regions of Oregon and Washington.

B. Structural Panels (plywood, waferboard and strand board)

U. S. Consumption		Oregon Production	
1979	19.7 billion sq.ft.	1979	7.9 billion sq.ft.
1984	22.0 " "	1984	6.8 " "
1985(est)	22.6 " "		

While the percentage reduction in plywood production in Oregon is greater than lumber, it is still by far the largest plywood producing state in the United States. It is equally clear, however, that the percentage of the U.S. softwood plywood market filled by the Oregon industry has been declining substantially.

A significant barometer of economic activity and employment in the forest products industry in Oregon is a review of the log harvest in this state. The highest log harvest levels in this state occurred in the late 60s and early 70s -- in the neighborhood of 9½ billion board feet. The lowest log harvests since World War II occurred in 1981 and '82 and

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were just slightly in excess of 5½ billion board feet. In 1984, the log harvest had increased to 7½ billion board feet, about half way in between the extremes in log harvests since World War II.

EMPLOYMENT

The highest direct forest products industry employment in Oregon in recent years was 91,000 employees in 1979. In 1982 -- the depth of the recession, that employment had dropped by 26,000, down to a level of 65,000. Currently, the employment level is at 77,000. We have gained back 12,000 of the 26,000 we lost.

Perhaps the most interesting statistic is this. In 1979, the state harvested 7.7 billion board feet of timber. This harvest supported an employment level of 91,000. In 1984, the state harvested 7.6 billion board feet. the 1984 harvest supported an employment level of 75,000. In other words, at approximately identical log harvest levels, in five years there are 16,000 fewer employees involved. That 16,000 employee reduction is almost entirely a function of the increased productivity in lumber and plywood production referred to above -- much of it increased production per unit.

WHAT OF THE FUTURE?

I wish I could say that after the stormy and troubled waters for Oregon's forest products industry of the past few years that calmer seas are ahead of us. Unfortunately, that does not appear to be the case. Oregon does not need bad news. However, we need to be realistic and look at the facts.

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The health of the forest products industry in Oregon will depend upon an adequate timber supply under terms and conditions that will enable its mills to compete with the onslaught of Canadian lumber and structural panels. More than ever in history, we will need an adequate supply of timber from Federal and State lands. Not only will we need adequate volumes from the public lands, but the terrible uncertainties of this supply from Federal lands will have to be minimized. It is the supply and predictability of supply from the major public timber owner -- the U. S. Forest Service -- that is in a desperate condition. There are three aspects of this that I will touch upon briefly.

I. FOREST PLANNING

The national forests (administered by the U. S. Forest Service) for decades have been operated under various types of plans -- timber management plans, multiple use plans and land management plans. In 1974 and 1976, Congress passed legislation which directed the Forest Service to, among other things, establish resource goals for the national forests and to develop forest plans for the individual national forests that were to reasonably accommodate the resource goals which had been established. The 1976 Act stated that the forest plans should be completed by September 30, 1985. The plans were to be accompanied with environmental impact statements. Hundreds of millions of dollars have been spent in the West over many years in preparing these plans. No individual forest plan or environmental impact statement has yet surfaced in Oregon.

The results of the forest planning process for the Oregon national

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forests, while the plans have not yet officially surfaced, are well known by many, including our industry. The annual harvest of the Oregon national forests under plans in effect prior to the passage of the Oregon Wilderness Bill in 1984 was three billion, 874 million board feet. The annual permitted harvest under the same plans after the Oregon Wilderness Bill was passed, was three billion, 742 million board feet. The Oregon Wilderness Bill reduced the permitted harvest by 132 million board feet. The forest industry now estimates that the forest plans for the Oregon national forests, if ever presented by the Forest Service as they currently wish to do, would result in preferred alternative timber management goals of about 2.6 billion board feet, a reduction from the current plan levels of nearly one billion, 150 million board feet. That is approximately nine times the harvest reduction caused by the Oregon Wilderness Bill. One can only be amazed at the fact that the U. S. Department of Agriculture vigorously opposed the Oregon Wilderness Bill because of the excessive wilderness acreage, consequent timber reductions and severe impact on local communities. It is incredible to think that such a position could be taken without even discussing with the Oregon Congressional Delegation the monstrous timber reduction proposals they now have in store.

It is also interesting to note that the goals recommended for timber harvest under the 1974 Act for this region would provide for increases over the current plan levels of 3.7 billion feet in Oregon. These carefully developed goals are clearly meaningless and have been totally ignored in the development of the preferred alternatives which

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The Forest Service would like to adopt. This planning disaster is not unique to Oregon. Distressing results are apparent throughout the West although Oregon is the worst case scenario. Almost nobody to my knowledge is satisfied with what they are seeing in forest planning. I think it is time that we call a spade a spade. However well intentioned the legislation and the planning process, irrespective of the amount of money that has been spent on it, it is best labeled the "Vietnam of Federal Resource Management". Former U. S. Senator Aiken's remarks about Vietnam come to mind -- "We should declare a victory and get out". We should stop the planning process, re-evaluate it and only then determine whether we want to try it again.

The Forest Service reports that it has cost in the neighborhood of $100 million to go through the forest planning process in this region over the past five or six years. It is understandable that the Forest Service would not like to admit that this expenditure has not been productive. However, the timber reductions on the national forests of Oregon alone would, at current timber prices, cost $110 million per year, and Oregon counties in the neighborhood of $40-$50 million per year.

A. 1.15 billion reduction in permitted harvest in this state, a disproportionate part of that in Western Oregon where the most valuable softwood timber in the world happens to exist, would literally destroy the small and independent sector of this industry which now makes up the back bone of the industry in this state. Given the capacities and the investments now in existence and the extreme dependence of our sector

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of the industry on this Federally-owned timber supply, the obvious result of these reductions would be a repeat of the desperate excessive bidding on timber which almost led to the total demise of this industry in recent years. The Canadian industry and the Southern industry would be given a wide-open door to continue to increase market share at the expense of our wood capacity.

It is particularly difficult to understand planned timber harvest reductions in the Pacific Northwest when we are now being flooded with evidence from Canada that forest renewal in that country has been totally inadequate and reductions in their harvest in the near term in some areas is inevitable. In addition, the Forest Service is putting together information now documenting the serious erosion in commercial forest land in the Southeastern part of the United States. Future timber harvest projections in that major region are now called into question.

Having spent over $100 million in the planning effort in this region alone, one could not reasonably expect the U.S. Forest Service to stop the process and re-evaluate it any more than one could have expected General Westmoreland to unilaterally pull out of Vietnam. The planning process, certainly in this region, is seriously flawed from a legal point of view. As inappropriate as it may be for the Federal courts to be deciding resource issues of this magnitude, our industry has told the Department of Agriculture for over two years that, if the planning process which has been unfolding here with the drastic results envisioned is not corrected, a lawsuit most certainly will follow. At the Board of Directors meeting

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of our association yesterday, our general counsel was directed to prepare for such litigation and a funding committee was appointed by our chairman. We are quite confident if push comes to shove that there will be no forest plans in this region for many years anyway. It would seem to be prudent that someone beyond the level of the Forest Service should review this and tame this monster.

II. ROADLESS AREAS

Throughout the Oregon wilderness legislative process, and certainly at the conclusion of the passage of the legislation, the Oregon Congressional Delegation announced that the roadless area problem on our national forests was now largely resolved. The wilderness areas had been created and, for the most part, the roadless areas that were not put into wilderness were freed up for multiple use management, including timber harvesting. Unfortunately, that message was not delivered to the Oregon Natural Resources Council and other environmental groups. Within days after the passage of the Oregon Wilderness Bill, the Oregon Natural Resources Council held a press conference and announced that they had now gotten over a million acres of roadless areas into wilderness and would next proceed to get the rest of the roadless areas locked up through other devices, such as wildlife protection. They have diligently and effectively pursued that course ever since. The most prominent device being used to lock up additional timber stands is a program to protect the northern spotted owl. They have admitted to Federal and industry officials that their interest is not in protecting the spotted owl, but in preventing the Oregon forest products industry from harvesting any further old growth timber on the

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theory that we would be better off to become adjusted to harvesting smaller timber now rather than later.

Current timber harvest levels on the Oregon national forests, and almost certainly the timber harvest on the Oregon forests mandated in the Timber Contract Relief Act are going to run up against one fundamental fact very soon. The Forest Service is simply refusing to go through an adequate environmental impact statement procedure which will make it possible to sell timber in the roadless areas of the Oregon national forests. Those were the areas which you, Mr. Chairman, with the rest of the Oregon Delegation, thought you were making available for timber harvest just last year. The forest plans which are now being readied for public display, even though accompanied with environmental impact statements, will not suffice from a legal point of view to open up roadless areas for timber sales or any other development activity if environmental groups wish to challenge.

The problem involving entry into Forest Service roadless areas is posed by several judicial decisions in the Ninth Circuit Court of Appeals which covers the State of Oregon. According to our Federal courts, entry into a Forest Service roadless area with any significant development activity is an action which has a significant impact on the human environment which clearly requires an Environmental Impact Statement under NEPA. The courts have prescribed that such Environmental Impact Statements must be (1) site specific to the proposed development; (2) must contain a cumulative impact analysis including future projected development actions; and (3) must contain an analysis of the worst case scenario. No forest plan will pass these court-prescribed tests.

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This impending crisis must be viewed in the context of the public statements recently of the Oregon Natural Resources Council that they will attempt to stop the entry into any Forest Service roadless areas. That at least is our perception of what the ONRC is saying and we are deeply concerned.

As one high-up official of the Department of Agriculture confided to me recently, this problem places Oregon's forest products industry at one minute to midnight. The possibility of mitigating this problem for two or three years by the resale of boughtout timber under the Contract Relief Act may give us some time to deal with this question, but, again, we are at one minute to midnight. We are continually interested in the fact that the Forest Service does not discuss these problems with the industry or with affected states and communities.

III. OTHER LITIGATION

For most of the past year, the National Wildlife Federation and other groups have been involved in an appeal process under the Forest Service Regional Guide for Oregon and Washington, a guide which, by regulation, must be approved before forest plans can be adopted. Let us not try to be logical and think that such guides should be in existence before the plans themselves are prepared. Within the past few months, the National Wildlife Federation has seriously threatened a lawsuit that would stop timber sales in old growth stands of Oregon and Washington prior to the final promulgation of the Regional Guide. The Forest Service studied the impact of this threatened litigation and came to the conclusion that nearly 50 percent of the timber sale program in this region in the 1986 fiscal year would be canceled. In the Western Oregon national forests,

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the numbers range between 70 and 90 percent. Very recently, the Wildlife Federation stated that they had decided not to destroy the industry in 1985 but recommended that five specific timber sales be canceled. The regional forester recently agreed to that request and set in motion the cancelation of two timber sales totalling 40 million board feet in northern Washington that were bid last month. The impact of this on the industry in northern Washington can easily be imagined. We were momentarily relieved that the Wildlife people would not put us out of business this year, but we are not at all convinced that they won'd decide to do it next year.

I regret having to make statements like these, but there can be no future for the small independent in the Oregon forest products industry if these issues are not dealt with, and we cannot deal with them without putting them on the table and talking about them.

In discussing the forest planning dilemma with the Forest Service, they indicate the threatened reductions are a result of the 1976 law. Our response has been that this is errant nonsense. The members of the Oregon Congressional Delegation involved in the passage of the 1976 Act that we have contacted also were unaware of any such possible result. There are many places in the current regulations of the Department of Agriculture that go beyond strictures of the 1976 Act but if, in the final analysis, one were to accept the Forest Service's legal premise, then, clearly, suggestions for remedial legislation should be seriously considered. The economic consequenses of the present process are unacceptable.

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Mr. WYDEN. We thank you, Mr. McCracken. Mr. Ewing

TESTIMONY OF ARNOLD EWING, EXECUTIVE VICE PRESIDENT, NORTH WEST TIMBER ASSOCIATION, EUGENE, OR

Mr. EWING. Mr. Chairman, Congressman Ron Wyden, I do appreciate the opportunity for us to be here and talk about some of the problems of small business in the future of Oregon. And my comments are pretty much of an overview, and most of the specifics will be presented by other parts of the panel.

I am Arnold Ewing, executive vice president of the North West Timber Association. Our membership is composed of small independent operators throughout western Oregon and southwest Washington. We produce approximately 1½ billion board feet of lumber and plywood annually. We are nearly 100 percent dependent on Federal timber for our raw material supply.

It is a very timely issue, that you are holding these hearings on, with the large operators mass movement to other areas, and the general public feeling that the forest products industry is a dying one.

The forest products industry has gone through a very rough 5 years, causing major shifts in the composition of the industry. We as small businesses are still hanging on. Many of our members have experienced it before through their second, third, and in some cases fourth generation of operations. Because we are dependent upon acquiring public timber through competitive timber auctions for our raw material, it is imperative that there is a continuous supply of reasonably priced timber without a lot of bureaucratic nonsense tied to the sale. And as I stated earlier, some of these nonsense items will be addressed by people on the panel.

We have experienced some very trying times. We have recently completed our timber contract buyout, but many people do not realize that we were only able to buy out 55 percent of the high priced sales, which is helpful, but we still must eat the remaining 45 percent of those high priced sales, and we plan to do that. This can only be done by reasonableness on the part of the Federal agencies. We still have a shaky future, and cannot survive with a continuing uncertain supply of timber because of appeals and bureaucratic cave-ins to extremists. We need positive land management decisions by leaders, and I emphasize by leaders, not decisions by committees or by consensus. These methods are copouts used by weak administrators. We need to protect our land base, not let it all be eroded by planners. We think that planning is the greatest erosion of our land base at the present time.

Planners, with their tunnel vision, have no concern for the economic impact of their proposed massive reductions to decrease the annual available timber in region 6 by over 1 billion board feet. The lion's share of this loss will be in Oregon. We cannot tolerate that kind of reduction in timber supply in Oregon. Active steps need to be taken to retain or increase the present levels of available timber.

And I certainly am not speaking of raping the forest. I understand forest management as a professional forester. But this can best be done by retaining a land base for growing trees.

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These projections paint a pretty dim picture to the small business timber operators. How can they justify investing millions of dollars in plant efficiency if the Federal Government is going to lock up their natural raw material supply? Planning for planning's sake by professional planners, with no feel for the economics of our State, must be stopped. There needs to be a major review and a rededication of the Forest Service attitude from the top down that timber supply and human benefits are a major priority.

For instance, a draft Forest Service manual prepared by the agencies personnel contains the following statement:

> It is now clear policy of the United States that the full network of national forests and grasslands will be managed to augment parks and refuges as this country's Federal system for wildlife and fish.

Perhaps the Forest Service should review their history, and examine the purposes for which the national forests were established.

Mr. Chairman, that is the first part of the major presentation. I have another item here, and I would just like to address a few items and ask you to include the whole manual. This was prepared by the Willamette National Forest, and I commend them for what work that have done.

These are excerpts from the group called Earth First. And I want to hit a few points in here and show you my real concern of where we are going. One item here on page 2, it is talking about ecotage which is a way of tearing down the forest unlawfully.

I will just quote a few pieces in here and I ask you to include the whole thing. This is Edward Abbey writing this article.

> No good American should ever go into the woods again without this book and, for example, a hammer and a few pounds of 60-penny nails. Spike a few trees now and then whenever you enter an area condemned to chainsaw massacre—

Let me jump to another one or two to show you how far out this is. They even have a comic section telling you how to sneak in the woods and plug holes into the trees, and put special steel welding rods into it.

Page 6, roadless areas, one that Mr. McCracken was just speaking of, roadless areas that were considered not eligible for wilderness, here are their comments on this:

> One of the best ways to save forested nondesignated wilderness from the rapacious influence of the Forest Service's Timber Managment Program is to burn it down. By burning the timber off the land, the Freddies—

They are speaking of the Forest Service when they say Freddies—

> are effectively stopped from selling timber to loggers.
> If you really care about wilderness and wildlife, never travel without matches. When the conditions are right, do your part to save America's remaining roadless areas by burning them down before the Freddies can cut them down.

One more, and then I will ask you to include these. Destroying equipment, it tells you how to destroy equipment. This is page 7.

> How to turn any internal combustion engine into a boat anchor. Let us suppose some deranged individual squeezed a tube of valve lapping compound into a hole where you add oil in a D-9 Cat that was sitting on the side of a mountain . . . . This procedure will work on cars, trucks, boats, chainsaws, and a vast array of earth destroying equipment. Just squeeze it into any hole where liquids go.

And you will have bulldozers turn into boat anchors.

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Mr. Chairman, I have to ask you. These kinds of statements travel through the mail. I would ask you to examine if that is legal type material that can really go through the U.S. mail, and I ask you to investigate that as far as some of these books.

[Mr. Ewing submitted the following:]

A REPORT FOR CIVIC LEADERS

FROM THE WILLAMETTE NATIONAL FOREST

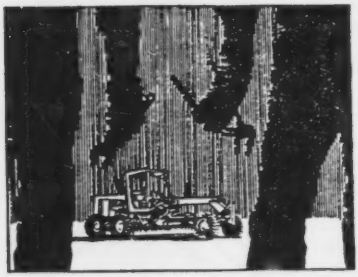
ECOTAGE FROM OUR PERSPECTIVE

An Explanation of

The Willamette National Forest's Policy on

Environmental Sabotage Known as "Ecotage"

ECODEFENSE:



Forest Supervisor

Willamette National Forest

Eugene, Oregon

September 1985

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ABSTRACT

ABSTRACT - Summary of the Willamette National Forest's Perspective and Policy on Ecotage.

Definitions:

Ecotage or Monkeywrenching: Sabotage for ecological purposes.

Earth First!: A radical environmental group taking a militant "No Compromise in Defense of Mother Earth" stance using direct action protests and demonstrations; Earth First! espouses the use of ecotage tactics.

Occurrences of Direct Action and Ecotage on the Willamette National Forest

- Spiked trees in Hardesty Mountain area - Hardesty Mountain Avengers - 1984
- Spiked trees in Pyramid Creek area - - Bonnie Abbzug Feminist Garden Club - 1984
- Demonstrations and building occupations in Forest Service offices in Eugene and Portland - Earth First! - 1984-85
- Road blockades in Pyramid Creek area - - Earth First! and Cathedral Forest Action Group - 1985
- Tree Sitting Demonstrations in Squaw Creek Area - Earth First! - 1985

Willamette National Forest Policy on Ecotage

- Any form of lawbreaking will not be condoned and will be prosecuted as appropriate
- When ecotage or direct action threatens public safety or the resources, the area will be closed to unauthorized entry and violators will be cited
- The Willamette National Forest remains open to establishing a dialogue with the people who are using ecotage; and encourage them to use legitimate procedures to address their concerns

Note: Artwork in this report taken from the book "Ecodefense" and the newspaper "Earth First"

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This is a report designed to inform civic leaders and the general public about the Willamette National Forest's perspective and policy on "Ecotage" a fairly new form of "direct action" protest that has been occuring in certain locations on the forest. Comments about this report are welcome and should be sent to Forest Supervisor, Willamette National Forest, P.O. Box 10607, Eugene, OR 97440. Thank you for taking the time to become more informed about this new form of environmental protest.

ECOTAGE FROM OUR PERSPECTIVE

An Explanation of
The Willamette National Forest's Policy on
Environmental Sabotage known as "Ecotage"

ECOTAGE - WHAT IS IT?

Basically, "ecotage" is sabotage for ecological purposes. The radical environmental group, Earth First!, calls it "Ecodefense" or "Monkeywrenching". Ecotage is rooted in philosophy expounded by Edward Abbey in his book "The Monkey Wrench Gang" describing the fictional exploits of four environmentalists trying to thwart development activities in the west.

In 1985 Earth First! published a manual for ecotage "Ecodefense: A Field Guide to Monkeywrenching" edited by Dave Foreman, the editor to "Earth First the Radical Environmental Journal". In "Ecodefense" Foreman describes many forms of monkeywrenching. However, he says "Of course, this book is for entertainment purposes only. No one involved with this project in any form encourages anyone to do any of the things described herein."

However, for about a year now the Willamette National Forest has been encountering forms of ecotage described in this book. Trees were spiked in the Hardesty Mountain area on the Lowell District in 1984 by a group known as the "Hardesty Mountain Avengers". Later another anonymous group known as the "Bonnie Abbzug Feminist Garden Club" spiked trees in the Pyramid Creek timber sale area on the Sweet Home District. Both spikings forced the Forest Service to commit much extra time and expense to locating and removing the spikes prior to harvest. Then this summer members of Earth First! have been involved in "Tree Sitting" in the Squaw Creek timber sale area of the Sweet Home District and in road blocking endeavors on the Pyramid Creek area. Also, this summer several protest demonstrations have been staged near or inside Forest Service offices in Eugene and Portland. Also survey stakes have been pulled in Pyramid Creek, Squaw Creek, and McLennen Mountain areas. Culverts have been plugged in Pyramid Creek.

No spikers have been caught or convicted, but several arrests have been made relating to road blocking and being in a closed area. All of the protests and ecotage seem to be oriented around two themes---"save the old growth timber and protect the wilderness!"

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ECOTAGE 2

WHY ECOTAGE?

In his foreward to the book "Ecodefense" Edward Abbey writes...

> "The American Wilderness, what little remains, is now undergoing an assault. With bulldozer, earth mover, chainsaw and dynamite, the international timber, mining, and beef industries are invading our public lands--property of all Americans--bashing their way into our forests, mountains, and rangelands and looting them for everything they can get away with...for the sake of short term profits...and actively encouraged by those jellyfish Government agencies which are supposed to protect public lands, and as always aided and abetted in every way possible by the quisling politicians of our Western states...Representative democracy in the United States has broken down. Our legislators do not represent those who elected them...No good American should ever go into the woods again without this book and, for example, a hammer and a few pounds of 60-penny nails. Spike a few trees now and then whenever you enter an area condemned to chainsaw massacre by Louisiana Pacific and its subsidiary the U.S. Forest Service."

The way you reacted to Edward Abbey's statement above is likely to reveal how you feel about the "rightness" or "wrongness" of their efforts. Your reaction is probably contingent on:

1) Your values about National Forests and how they are being managed

2) Your values about how disputes should and should not be addressed.

LEGITIMATE AVENUES TO ADDRESS PUBLIC CONCERNS

One of the main points of this report is that regardless of how any citizen or group feels about how National Forests are being managed, ecotage, monkeywrenching, and any form of lawbreaking will not be condoned. As representatives of the American people--all 230 million of them--it is our job to uphold and enforce the laws and regulations pertaining to management of your National Forests. During these turbulent times, many different people want the Willamette National Forest to be managed toward many, often mutually exclusive directions. The Forest Service and the U.S. government have legitimate procedures for addressing citizen concerns.

When any group decides, for whatever reason, to go beyond the bounds of these procedures--such as is the case with Ecotage--the Forest Service has no choice but to treat the matter as a law enforcement problem with all the consequences thereof.

We would prefer that those engaged in Ecotage would use established procedures for addressing their concerns:

- Forest Service Land Management Planning Process
- The Forest Service Administrative Appeal Process
- The Federal Courts
- The U.S. Congress

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ECOTAGE 3

LAND MANAGEMENT PLANNING IS A LEGITMATE AVENUE TO ADDRESS THESE CONCERNS

We believe that the current land management planning process is a viable avenue to address these concerns. We realize that preservation of old growth and the remaining roadless areas are key concerns to many of the publics we serve. In fact how much old growth and roadless areas to preserve are major regional questions that will be addressed in most of the upcoming forest plans. We plan to seriously study the issue and offer alternatives that preserve various amounts of old growth timber. The planning process is designed to track key public issues. One of the criteria for selection of the preferred alternative will be how well that alternative responds to the issues the people told us needed to be addressed.

Apparently, however, direct action advocates have decided not to become involved in either the land management planning process nor avail themselves of any other legitimate channel for addressing their concerns. That is their choice, but we hope you realize that any violations of the law will necessarily entail legal consequences.

EARTH FIRST TACTICS

It seems that Earth First! people believe that they are defenders of nature in general and of old growth timber in particular. "Living as if Nature Mattered" and "No Compromise in Defense of Mother Earth" are typical of their many slogans. An upraised clenched fist is their logo. They have designated contacts in most western states. Some of their members ascribe to "non-violent" forms of protest, but others talk as if they'd use whatever tactics worked to help them "defend" their cause including violence and destruction of property. Their cause is clearly and vehemently expounded in their journal Earth First! published eight times a year.

The August 1, 1985 edition of the Earth First! Journal contains some indicative quotes on this point:

About Tree Sitting

In an article titled "Battle For Millenium Grove" Ron Huber (who was arrested and cited for tree sitting) writes...

> "By climbing undetected into old Douglas fir and cedar, lashing up platforms and securing ropes from platforms to neighboring trees, Earth First! successfully freed a small portion of the Willamette National Forest from the Freddies* -- in effect exercising a veto over their plan to begin killing the Millenium Grove..."
>
> "Tree climbing definitely unnerves the Freds. In talks at the sanctuary on July 22, District Ranger Lenny "Loose Lips" Lucero and his boss Mike "Cut-em-down" Kerrick repeatedly begged us to cease tree climbing because of its hazard to life and limb. But they know the real hazard is to their evil plans, so we expect a lot more platforms to be taking to the skies over America."

* Earth First calls Forest Service employees Freddies

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ECOTAGE 4

About Demonstrations and Arrests

In another article, "Oregon Overview: Squaw Creek Action", Mike Roselle writes...

"Arrests are pushing the 100 mark and you'd have to be living in a cave in Hell's Canyon not to have heard news of the intensifiying struggle to stop the Tree Nazis from liquidating the last remnants of the Cathedral Forest."

"The battle continues in the old growth forests of Oregon. Earth First and the Cathedral Forest Action Group are mobilizing for additional actions.

On the Forest Service

In a column titled "The Threat of Jeff Sirmon," Howie Wolke writes...

A responsible Forest Service would protect EVERY remaining roadless area, EVERY remaining wildland ecosystem, and ALL remaining habitat for threatened and endangered species. Forest Service plans for massive industrial development of our Forest wildlands are the actions of a radical and irresponsible federal bureaucracy."

"Given the agency's overwhelmingly widespread plan to destroy wilderness and natural diversity, the only responsible and intelligent course of action for conservationists to follow--on both a national and grass roots level--is to resist, obstruct, subvert, delay, and ultimately destroy the "Forest Planning Process."

On Morals

In an article entitled "Tree Spiking and Moral Maturity," George Wuerthner writes...

"Tree spiking is only a last minute measure: a stalling tactic used to preserve options in the hope that an enlightened citizenry will one day appreciate more fully the need for the conservation of natural ecosystems. Tree spiking may be against the law, it may not be a rational response, but it may be the right thing to do."

Besides these articles, the newspaper gives us four articles giving "how-to" information on ecotage...

Tree Pinning

In an article titled "Tree Pinning: The Silent Art of Tree Spiking," T.O. Mellenbach (777) writes...

As levels of protective security increase to stem the swelling tide of tree spiking, silent new methods will become necessary for those courageous enough to infiltrate the guarded stands of doomed trees. The loud ring of hammer on spike is replaced by the gentle hum of the cordless electric drill as it creates a small cavity for the secreting of a steel pin."

"Backcountry spiking can be fun for the whole family"

ECOTAGE 5

The article goes on to describe using a cordless drill to insert a steel pin inside a tree, and how to cover the entry hole so no one will detect it. A cartoon entitled "Blade Ruiner" accompanies this article.

T. O. Hellmann's
BLADE RUINER
CHAINS IN
CHAINSAW
I WANT HIM STOPPED BEFORE THE—
DISGUISED AS HIKERS AND HUNTERS,
IRON RANGER—CAMP COUNTRY
BECAUSE OF THE PATROL'S SILENCE WAS ESSENTIAL, THE OLD HAMMER AND SPIKES HAD BEEN REPLACED BY...
A BATTERY-POWERED CORDLESS ELECTRIC DRILL WITH A 1/32 DIAMETER DRILL BIT...
A SQUIRT OF CLEAR SILICON TO CEMENT A 1-INCH FREE OF TWIGS...
STEEL WELDING ROD DEEP IN THE TREE, CAREFULLY PUSHED INTO PLACE...
FOLLOWED BY ANOTHER LITTLE BAR OF CLEAR SILICON
A SMALL CHIP OF BARK IS PRESSED ON TO CONCEAL THE HOLE.
AFTER PLANTING ONES A MONTH? PINS AND USING UP SEVERAL BATTERY PACKS, THEY MOVED TO
LOGGERS LOSE THEIRCRAFT NUMBER, THEY SLAPPED AWAY OVER EMOTIONALS.
SOON AFTER DARK, ON A DEADEND DIRT ROAD, A CAR STOPS AT A CAREFULLY SELECTED SPOT. SHEPHERDS FROM THE SURROUND, THE BLADE RUINER AND HIS COMPANION CLIMB IN FOR THE LONG DRIVE HOME.
THE END

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ECOTAGE 6

Arson

In the Ned Ludd column, "a regular feature in Earth First! for discussion of creative means of effective defense against the forces of industrial totalitarianism," Johnny Fireseed (???) writes an article called "Fire Stops Logging"...

"One of the best ways to save forested non-designated wilderness from the rapacious influence of the Forest Service's timber management program is to burn it down. By burning the timber off the land, the Freddies are effectively stopped from building roads and selling timber to loggers."

"If you really care about wilderness and wildlife, never travel without matches. When the conditions are right, do you part to save America's remaining roadless areas by burning them down before the Freddies can cut them down."

Of course, the Ned Ludd column contains this disclaimer..."Neither the Earth First! movement nor the staff of Earth First! necessarily encourage anyone to do any of the things discussed in Dear Ned Ludd."

Implement Your Own "Ecotage" Plan

Dave Foreman goes on to write about "Hands-On Forest Planning" advocating the use of monkeywrenching to implement...

"Your own management plan for your National Forest--a visionary, not a pragmatic plan. Don't bother to write anybody letters in support of your plan. Simply implement it yourself."

"If there are existing roads in the larger Wilderness Areas you have designated in your plan, close them. They may be rebuilt, but close them again. Where new Freddie roads are planned in your protected areas, pull survey stakes, harass construction and tear them up as they are built. Identify the planned clearcuts in your areas and begin spiking them years in advance of 'harvest' if possible."

Then again, Foreman disclaims...

"(Of course, the above is not meant as encouragement for anyone to do anything illegal.)"

SURVEY STAKES

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ECOTAGE 7

Destroying Equipment

The paper concludes with an article on how to turn "Bulldozers into Boat Anchors" in which the "Phantom Valve Lapper" extols the virtues of using "the miracles of abrasive technology, valve lapping compound".

> "How to turn any internal combustion engine into a boat anchor:
> ...Let's just suppose some deranged individual squeezed a tube of valve lapping compound into the hole where you add oil in a D-9 Cat that was sitting on the side of a mountain. This person also squeezed a tube into the hydraulic reservoir of the Cat. Now wait for a day or two and you will find a high altitude boat anchor, weighing several tons, on the side of a mountain. This procedure will work on cars, trucks, boats, chainsaws, and a vast array of earth destroying equipment. Just squeeze it into any hole where liquids go."

These excerpts from one edition of Earth First! give you a fairly clear picture of Earth First! as an organization, its goals and its tactics.

- Illustrations from the book "Ecodefense"

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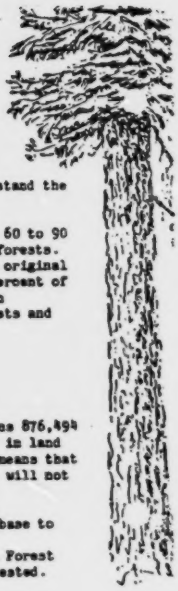

ECOTAGE 8

THE OLD GROWTH ISSUE - IN CONTEXT

Regardless of your feelings about their tactics, you need to understand the main issue they are concerned about--preserving old growth forests.

Earth First! advocates believe around the turn of the century from 60 to 90 percent of Oregon and Washington was primarily covered by old natural forests. Now, in 1985, according to them, roughly 10 percent of the Northwest's original forest ecosystem remains. They claim we have preserved only about 1 percent of what was originally here and that is not enough. They are demanding an immediate moratorium to cutting all old growth timber in National Forests and rehabilitation of some areas that have already been developed.

Let's examine their claim...

Old Growth on the Willamette National Forest

The latest surveys show that the Willamette National Forest contains 876,494 acres of timber over 21 inches in diameter. Of that 342,263 acres are in land classifications that will not be managed for timber production. That means that nearly 40 percent of the large trees on the Willamette National Forest will not be cut.

In order to meet mandatory minimum management requirements we are anticipating removing another 67,000 acres from the timber production base to meet wildlife habitat and water quality objectives.

When these additional allocations are made the Willamette National Forest will have about 409,263 acres of large old trees that will not be harvested.

Old Growth on National Forests in Oregon and Washington

A recent survey of spotted owl habitat indicated that there are nearly 6 million acres of large old trees available on the 24.5 million acres administered by the U.S. Forest Service in Oregon and Washington. This is 24 percent of the total acres administered by the Forest Service.

Teepee used in Earth First demonstration outside of Willamette National Forest office in Eugene

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HOW WE ARE ADDRESSING THE OLD GROWTH ISSUE

Knowing that the issue of preserving old growth, for old growth's sake, for roadless areas, and for wildlife habitat is a very important issue to the publics we serve, the Willamette National Forest is addressing the issue in several ways.

Through the Land Management Planning Process

The current Land Resource Management Planning process recognizes the term "old growth" means different things to different people. We will develop alternatives that evaluate options for old growth management from at least three main aspects: wildlife and plant habitat, ecosystem diversity, and preservation of aesthetics. Old growth management will be considered in a number of possible management strategies including wilderness dispersed recreation, visual emphasis, riparian areas, special wildlife habitat, special interest areas, timber production, and, of course, old growth emphasis.

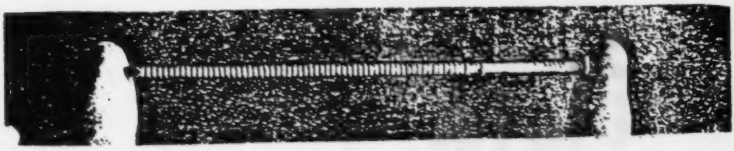
In order to track the issue of old growth through the development of the upcoming forest plan, the following planning question has been included in our list of Issues, Concerns, and Opportunities (ICOs). The facets indicate some of the public opinions that create the issue.

Old Growth: What emphasis should the Willamette National Forest place on preserving old growth timber stands?

Facets (opinions on the above) -

- Timber production is being over-emphasized and should be decreased, even to the extent of stopping harvest on the remaining old growth.
- Harvest old growth to promote future productivity.
- Old growth habitats are the most important aspect of diversity.

The effects of the management alternatives which will be considered in the Draft Environmental Impact Statement will be shown for all ICOs including the old growth issue. It will then be possible for the public to compare the current status of old growth inventory with the expected result from each of several alternative forms of management.



- Actual spikes removed from Mardesty Mountain trees intended for salvage

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ECOTAGE 10

Through Consensus Seeking Meetings with the Concerned Groups

We have been meeting with and hope to continue to meet with the CFAG to gain understanding and strive towards an acceptable method of dealing with the issue of old growth and Willamette National Forest timber sales. The Sweet Home Ranger District is now working with Pat Loveland and the Oregon Natural Resources Council to establish the age and range of old Douglas-fir trees in the Three Creek basin, Squaw Creek, and surrounding areas. Information is also being gathered on locations of similar stands in other parts of the Forest. This will be used to add detailed information to proposed management allocations in an alternative or alternatives now being evaluated for the draft Forest Land Management Plan.

Through Scientific Study and Analysis

The controversies over logging in old-growth stands have raised questions about the frequency and distribution of very old trees and stands. Douglas-fir does not often live over 1,000 years, and the existence of such stands is not well documented in research literature. Several stands of Douglas-fir over 1,000 years old do exist in Mt. Rainier National Park and stands 600 years old and older are common in protected drainages there.

In western Oregon, the Willamette National Forest has more stands with trees over 500 years of age than neighboring National Forests. Even so, stands and individual trees over 600 years old are not common. Information based on a 1976 fire history study done by the Pacific Northwest Experiment Station and the University of Washington, and supplemented by recent inventory plots taken by the Forest ecologist, show the oldest ring counts are in the 700-850 year-old range.

These stands are nearing a climax condition. The old Douglas-fir are slowly dying out of the stand, giving way to a multi-sized subcanopy of other species.

The Willamette National Forest plans to expand on these earlier studies and inventories to further differentiate age classes within old-growth stands Forest-wide.

CONGRESS HAS SPOKEN ON WILDERNESS IN OREGON

The question of how much Wilderness to officially set aside, is a national issue. Congress has reserved the right to make that decision to itself. The Forest Service does not have the authority to make official Wilderness designations. After much public consultation and 20 years of debate, Congress in 1984 passed the Oregon Wilderness Act putting an additional 849,977 acres of Pacific Northwest National Forest into official Wilderness status. That act brought the total Wilderness in Oregon and Washington to a total of 2,061,822 acres.

On the Willamette National Forest 78,909 acres were added bringing the total to 380,853 acres of Wilderness, representing roughly 25 percent of the total National Forest land. We now have a total of eight Wilderness areas on the Forest.

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ECOTAGE 11

In the same Act Congress stated that areas not designated Wilderness "need not be managed for the purpose of protecting their suitability for Wilderness designation."

Much of the controversy involving Earth First! arose after the passage of this Wilderness Act. Groups such as the "Hardesty Mountain Avengers" drove spikes into trees scheduled for salvage in Hardesty Mountain--an area considered for Wilderness by Congress, but not included in the bill. [The Forest has since entered into a long and fruitful consensus-seeking process for this area--a report on this process is available upon request from Jerry Mason, Willamette National Forest Public Information Officer].

Later "The Bonnie Abbzug Feminist Garden Club drove spikes into trees on the Sweet Home District's Pyramid Creek timber sale.

Essentially, the hot spots for Earth First! action are in areas where Congress considered for Wilderness, but were not included in the Act signed by President Reagan in June of last year.

Instead of ending the debate over Wilderness, things have heated up considerably since Earth First! chose the Willamette National Forest as a battleground to fight for its cause.

THE WILLAMETTE NATIONAL FOREST'S POLICY WHEN FACED WITH ECOTAGE

Even though we prefer to use other legitimate avenues to address concerns, if any individual or group threatens the public safety, harms Forest resources or contractor equipment, we will prosecute the responsible parties to the degree specified in the laws and pertinent regulations.

If we know that Ecotage or demonstrations are planned in any area where public safety and the resources may be threatened, we will close the entire area to unauthorized entry. That will mean that no one but the Forest Service employees, any lawful contractor, and law enforcement personnel will be authorized to be in the area. Anyone caught in violation of the closure will be cited and subject to legal consequences. The area closed will be large enough to prevent unsafe harassment of authorized personnel.

We would rather not close the public's forest to general public entry, but if the above threat is realized, we will close it rather than risk major losses that might result.

At the same time we will remain open to pursuing a meaningful dialogue with the concerned groups with the objective being to divert the conflict into any of the legitimate channels of addressing their concerns.

USE LEGITIMATE CHANNELS

It is the Forest Service's job to try to manage the Willamette National Forest for the "greatest good for the greatest number". If we asked many of our concerned publics, we would get many widely divergent definitions of that phrase. The Forest's land management planning process is an orderly and fair process designed to allow all citizens the opportunity to develop a land management plan that will deliver "the greatest good for the greatest number."

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ECOTAGE 12

Doing this task in today's world of highly polarized and vocal interest groups is very difficult indeed, but with your help we will come out with a plan that will go a long way at satisfying most of the issues the public wanted us to address. The draft plan is expected to be available early in 1986. If you want to help us develop that plan, the door is open to you to become involved.

As far as Ecotage is concerned, we encourage all the people we serve to USE LEGITIMATE CHANNELS FOR ADDRESSING THEIR CONCERNS. If you don't feel those channels will afford a real chance to meet your needs, then seek to change the procedures.

Understanding opposing viewpoints is a key to reaching resolution between conflicting parties. The Willamette National Forest is open to meaningful dialogue directed toward gaining an understanding the concerns of all groups concerned about the way we manage the Forest.

Even though resolving conflicts through legitimate channels often takes patience and perseverance, we wonder what real effects "direct action" will have, except for garnering more legal penalties and further polarization in an already polarized situation.

Anyone wishing social change must at sometime find an effective way to get the society to change of its own accord. It is unlikely that ecotage will result in the type of social change Earth First! hopes for, and hence is likely to be counterproductive. We appeal to Earth Firstlers to seek a more constructive manner to address these concerns.

We also appeal to citizens and civic leaders to understand our policy and our reaction to Ecotage and how we are dealing with key forest planning issues.

MICHAEL A. KERRICK
Forest Supervisor

Mr. WYDEN. Because our friend has traveled such incredible distances, I want to let my friend start with any questions that he may have, and then I have a great number that I am interested in asking. But it is just not right to ask our friend to come many, many thousands of miles and make him wait. So the gentleman from Ohio.

Mr. LUKEN. Well, I do appreciate the hospitality that I did not mention originally that has already been shown here by Oregonians and the people of Portland. And I might say that I was surprised. I must admit that this is the first time that I have been to Oregon in all my years and I have been remiss. I am surprised that it is so similar to the kind of community, in appearances at least and in the friendliness, that we have in the Midwest and the East.

It is an old community. As a matter of fact, I spent a number of years in Cincinnati City Hall as councilman and mayor, and this is reminiscent though ours is even older. I will not say that it has more ambience or better ambience, but it is reminiscent, and I am glad to be here not only with your representative but with all of you, and I appreciate the testimony.

And one other thing that I might remark at the outset, Mr. McCracken, when you described the condition, which you did very eloquently, of the industry that you are very concerned about because of the loss of jobs, and you described it as increased productivity being one of the byproducts, but the other byproducts have been a switch to nonunion jobs or lower paying jobs, it sounds like

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the automobile industry to some extent, and the machine tool industry.

There is a certain sameness about it which is going on in this country, some of which we are going to have to face up to, and deal with, and work with. Perhaps other phases that we are going to have to face up to, stand up to, and insist upon a reversal, so that we can get those jobs back. That way we can get industry humming again.

I am impressed that when we are talking about this particular natural resource that it is a renewable resource which you understand, and that is why you did not mention it. But it is a little bit different than some of our fossil resources which once they are extracted and expended, they are gone.

But with proper timber management, it seems to me, with what little I know about it, since it is renewable with replanting opportunities, as long as we do not get into the wilderness areas, it seems to me that we should be able to utilize these resources for the needs of our society, and with replanting and proper management, they can be renewed.

So I might say that we have heard this and as you might expect we heard this about other industries. The fact that there is a sameness maybe that makes it easier for us nationally, it should make it easier for us to attack these problems.

Now you pointed out I believe, both of you, that the Western timber industry is moving toward a smaller and more productive, more specialized manufacturing use.

Would you agree that this is happening, and can you give me any more examples of that movement toward smaller more specialized uses?

Mr. McCracken. In our industry?

Mr. Luken. Yes.

Mr. McCracken. There are many examples. I listed in the statement, Mr. Luken, 10 of them just randomly here, plywood plants and sawmills.

Mr. Luken. Do you think that this is a good direction for the industry or a bad one?

Mr. McCracken. Well, I cannot say that it is bad.

Mr. Luken. It creates problems for the smaller operators?

Mr. McCracken. It has been painful. But I guess that it is difficult to say that increased productivity and greater efficiency is bad. I cannot say that that is bad. It has had a price.

Mr. Luken. Is this occurring in other regions of the country in the timber industry?

Mr. McCracken. Yes; but I do not see it quite to the degree that it is here. But yes; it is going on elsewhere.

Mr. Luken. Why is it more extenuated here?

Mr. McCracken. I believe that the fundamental reason would be because the timber supply here has been so competitive, which means that our costs of producing are high in comparison to like people in Canada who are shipping to our market.

Therefore, the pressure on increased efficiency to counteract to some degree what we are doing to ourselves in bidding has been enormous. That is probably the biggest factor.

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Mr. LUKEN. You have mentioned some of it, but to make it clear to those of us who are uninitiated, why are the costs higher to produce here in Oregon or in the United States than in Canada?

Mr. MCCRACKEN. Because of timber bidding. Our efficiency here, I think, is probably as good or even better in terms of producing lumber per man year, is better perhaps than even Canada although they have newer mills. It is the timber bidding here that is the difference.

Mr. LUKEN. The regulations?

Mr. MCCRACKEN. Well, our Government, our Forest Service, and our Interior Department are required to sell timber at competitive bidding. Here in western Oregon, the average price roughly that they advertise timber at is $50 per 1,000 board feet. We are bidding that timber to roughly $100 per 1,000 board feet on the average. That $50 increase in cost which is a major factor in producing lumber is the reason that we have difficulties. That is why our cost is higher.

Canada does not have bidding for timber. Their provinces own the timber, and they allocate their timber to their mills without competitive bidding.

Mr. LUKEN. Is there anything that we can do about that?

Mr. MCCRACKEN. It could be done.

Mr. LUKEN. Mr. Ewing.

Mr. EWING. I would like to address that same thing with a different approach of what Joe was speaking of. And that is that first as I indicated in my item that it is very important that we have investment in small business mills. We do not have any private timber. We have no place to go except public timber.

When we have facing us a billion board foot reduction in the Timber Sales Program within a year or so right in this area, we have to say we better keep public timber under our belt, buy as much as we can. Everyone is striving to buy every timber sale they can. They bid them right to the maximum. Then for example which other people will talk about, in the Medford BLM district alone, there has not been a sale awarded to an operator, or maybe one or two, since last spring because the appeals by the way-outers, which I call the Headwaters group, appealing these sales, tying them up. We bid them, and we award them. There is 92 million feet.

Mr. LUKEN. Objecting to the sales?

Mr. EWING. What is that?

Mr. LUKEN. Are they appeals objecting to the sales?

Mr. EWING. Yes; all kinds of reasons can be phonied up. That is one area. Then we look at what they are doing in the planning, reducing our base and our timber supply. We have our investment in these mills, and we are doing our best to protect them. So we are bidding. Before we bid because—a few years ago, we had trouble and went back and got legislation, because there were many other items.

Now it looks like we are saying we have got to bid to protect our investment, because we are going to lose our timber supply. That is the reason that we are concerned about planning. And those way-out things that I mentioned, we have to address those things. If we

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get a timber case protected and a constant reliable source of timber being sold regularly at reasonable prices, we will be all right.

Mr. LUKEN. You agree with the goals of the legislation itself, but it is the regulations and the way that the Forest Service has carried it out that creates the problem?

Mr. MCCRACKEN. I think that everyone supported, back in 1976, the legislation mandating this planning. It is just the way that it has turned out.

Mr. LUKEN. You did not mention one aspect of it that would be of interest to us. The result of these logjams, I might say, the logjams in the timber industry, we use the term logjam not referring to logs generally, the result is fewer timber sales, right?

Mr. MCCRACKEN. Yes.

Mr. LUKEN. And that would be a reduced income to the Government, would it not?

Mr. MCCRACKEN. Yes.

Mr. LUKEN. That will not help our deficit will it?

Mr. MCCRACKEN. No.

Mr. LUKEN. I rest my case.

Mr. WYDEN. I thank the gentleman. As you can all see, my friend and colleague from Ohio gets the drift very, very quickly. Gentlemen, we thank you for your testimony. And I want to ask you, because both of you have really touched on it, to frame it this way. It seems to me that Oregonians have been very clear with respect to their preference, their general preference, on this matter. And that is that they feel and insist that we take steps to preserve our treasures, our wonderful wilderness and scenic areas, and that we also take steps to have a healthy wood products sector.

And it is striking that kind of balance that is on the line to the vast majority of Oregonians. They are not extremists. They do not belong to either of the two poles, but they are interested in trying to balance those kinds of competing interests.

Now I have never met an Oregonian, however, who is in favor of what Mr. Ewing calls, I think quite correctly, bureaucratic nonsense. There are no rallies in our State advocating bureaucratic nonsense. And because we are going to have as our next witness, Mr. Butruille of the Forest Service, I wonder if you all could give us some specific examples of what you see as bureaucratic nonsense, so that we can isolate them, and then work with the Forest Service to turn them around.

I know that we are going to hear some from other witnesses. But because Mr. Butruille is going to come as the very next witness, and I would like him to respond to some of your concerns, if you could help us isolate specific instances where silly bureaucracy and foolish redtape were necessarily getting us into a situation where we could not satisfy the two concerns that are on the minds of Oregonians, I think that that would be very helpful to start with. And perhaps you first, Mr. McCracken, and then Mr. Ewing.

Mr. MCCRACKEN. You will be hearing from members of the panel about several illustrations. Mr. Ewing has talked about one specific illustration in the Medford district. It is hard to categorize these in some respects as bureaucratic nonsense. I would just read the last paragraph of my statement which I think is the biggest difficulty, and I think that it is bureaucratic.

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And it is simply this. In discussing the forest planning dilemma that we have discussed with the Forest Service, the Forest Service indicates that the threatened reductions are a result of the 1976 act. Our response to that has been that we think that that is errant nonsense.

Members of the Oregon congressional delegation involved in the passage of the 1976 act that we have contacted are also unaware of any such intended results. There are many places in the current regulations of the Department of Agriculture on planning that go far beyond the 1976 act.

Mr. WYDEN. Let me stop you a minute here. Could you give us a couple of examples where the regulations are out of sync with the act, and we will hold the record open as well. But because Mr. Butruille is going to be here, if you could just give us one or two examples where the regulations are out of sync with the act, I think that it would be very helpful.

Mr. MCCRACKEN. I would be very pleased to submit for the record an illustration of that. But one specific illustration that is most bothersome has to do with wildlife, which is one of the major issues that we are facing here. The 1976 act says that forest plans will be made for a whole variety of purposes, among them protection of wildlife and enhancement of wildlife where possible.

The regulations of the Department, however, go far beyond that in our view to state that they will maintain viable populations throughout a range, a situation which has gotten the Forest Service and all of us into deep trouble. That is an illustration that is very bothersome.

So I guess that my conclusion on it is that if in the final analysis, an analysis of the 1976 act, that it indicates that we are going to have the types of reductions that we are facing here, then I think really that the Department of Agriculture should tell you and Congress about it, and perhaps we would need to address and change the legislation. Because the results that we are facing are unacceptable.

I hate to label that as bureaucratic nonsense, but we think that it fits kind of into that category.

Mr. WYDEN. Mr. Ewing.

Mr. EWING. I will address a couple. First, I will be a little broad, and then I am going to be specific on one that I was personally involved in. Sale wrote an article at Oregon State on owls. And he determined from lots of studies about how far they flew and over a period of time, they recorded that, and they determined that they flew in about a year's time about 1,000 acres.

From that basis, they determined that the owl must have 1,000 acres per pair, and that it must be old growth. That has been accepted as gospel. The Forest Service spent lots of dollars on Smokey the Bear and did a hell of a job, and I am pleased that they did. On the collie dog, and these kinds of things.

Let me intercede for 1 minute off on a divergence. Both Mr. McCracken and I are heavy users of the wilderness area and appreciate those beauties and use them very much in our various ways. I am a horseman and he is a hiker, but we have done it together and separately, and many other industry people are wilderness people.

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And we are not suggesting any erosion of the wilderness base that we have at the present time. We are talking about using forest.

So anyhow, I am saying why does not the Forest Service instead of saying just in the old growth which they are doing now, why do they not go out and use some of their moneys like they did with Smokey the Bear, and really study some of these things with some of their moneys. What are the true needs of the owl and things, what is scientific instead of accepting everything that has been going on there.

Do they need second growth. They do not go out and inventory in the second growth areas. I think that they are scared to death to inventory the second growth, because they might find their land set aside, and I do not blame them.

Now I am going to give a specific one. There is an area called Hardesty Mountain, some 5,500 acres. And you can see it from my house, Mount June and Hardesty Mountain. So it was a very, very serious concern that it was not included in the wilderness area. Congressman Weaver had it in the wilderness area, and it was decided not to put it in there.

I know the area extremely well, and it has any attributes that you want to put to it. It has the finest timber that you want to see. It is close to the communities. It is an experience because there are two mountains. There are nice hiking areas. So it has a combination of things.

So they decided that they would set up a consensus group. And I was part of the consensus group, and we met every other Tuesday night and sometimes twice a week for 6 months trying to decide what to do with that, all of the groups.

Now there happens to be three sumas. Now a suma is a spotted owl management area, setting aside 1,000 acres for their forage and so one, three of those in our area, and one bema. A bema is the bald eagle management area.

And they said, OK you cannot log, you cannot haul down this, because you might foul up that bald eagle that is nesting down there. They did not bother to say that that favorite perch tree for that bald eagle sets right on Highway 58, and he does his fishing in that drainage right there. Yet you could not haul timber down that road in certain months, and it increases your costs.

Many of these kinds of things, they just get ridiculous on how they are going. So we went up to see Hardesty Mountain and to talk about it, I and one other fellow. This other fellow when he was a kid, his father was the lookout man on Hardesty Mountain. And you know what the servers are with containers on each side. This boy was about 5 years old, and his father stuck him on the right-hand side, put weights on, and sat on the other side, and they forded the river which was no small task itself going up there, and he would stay up there.

So this boy really knows the area, has been all over that area. Between the two of us, we knew that area quite well. The Forest Service planners, we were out on the ground, got up on a point where we could look at it. I said show me your owls, show me your suma. They had them set out. They did not know the ground well

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enough, and I am serious, to be able to spot it. I am right at the damn thing, I know where Goodman Creek is.

They did not know where it was in there. They did not know that that was the mountain in the background. This is all of the area. I am concerned that these guys sit in their little hoods in their offices and do all of this planning, putting a certain amount of time on the ground, but a hell of a lot is on maps and theoretical stuff and not practice. Nonsense, that is bureaucratic nonsense in my book. Yes, sir.

Mr. WYDEN. Let me go on to some other areas where we will hold the record open on this point. Because as I said, I think that there is a real consensus in this State that we want to do both. That we want to be able to preserve our environmental treasures, and have jobs, and have opportunities for citizens to support their families, and own homes, and do the things that we want in the United States, but there is no support for bureaucratic nonsense. So let us hold the record open, and we will hear today I know from others on this point. Two issues just for the record.

Can you tell us the total volume that is cut in region 6, what percentage of finished products are sold within the region?

Mr. MCCRACKEN. You are talking about the region being Oregon and Washington?

Mr. WYDEN. Northwest, region 6.

Mr. MCCRACKEN. I would have to guess, but probably in the neighborhood of 15 to 20 percent.

Mr. WYDEN. Does the Northwest have enough demand to consume all of the timber that is cut in the region?

Mr. MCCRACKEN. By no means.

Mr. WYDEN. Do you think that it ever will, Mr. McCracken?

Mr. MCCRACKEN. I hope not. I hope that our timber cut does not go that low. I think not. We will always be much like Canada seeking to sell our products in other markets. California is our biggest market at the present time. Arizona is a big market. We used to send a lot of our product to the East and to the South. We do not very much anymore, because of freight rates and because of the rapid emergence of the forest products industry in the South.

Mr. WYDEN. What about the trend toward regional production, do you expect that to continue?

Mr. MCCRACKEN. Yes; if I might, I have a statement that I gave your staff. A speech was made at the Oregon City Club here in late August by Les Anderson. I would like to have that in the record. It is one of the best statements on that I have ever seen.

Mr. WYDEN. I will be happy to. Without objection, it is so ordered. And I read that speech as well.

[Mr. McCracken submitted the following speech by Mr. Les Anderson, publisher, Random Lengths:]

THE WESTERN TIMBER INDUSTRY—HOPE FOR THE FUTURE?

Almost one out of five sawmills in the West has closed over the past 5 years. The western plywood industry has undergone a similar cutback, losing 22 percent of its plants since 1979. Employment in the Northwest wood products industry has slipped more than 25 percent over the same period.

Yet production in the region is down only slightly from where it was 5 years ago. Lumber output in 1984 was off about 9 percent from the peak years of the late seventies, but was up almost 30 percent from the depths of 1982. Panel production

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faired less well, dropping 14 percent since the late seventies, but the industry is producing almost as much as it did a decade ago.

You can make what you want of statistics. Economists usually do. I heard once that an ecomonist is one who comes to the rescue of figures that cannot lie by themselves. Some diagnosticians say that the Northwest wood products industry is gravely ill; others see the ailment as chronic, but survivable.

The symptons are apparent. Headlines in our newspapers have told part of the story: "Outlook grim for timber industry." "Lumber mill files for bankruptcy." "GP mill closure idles 238 in Toledo." Over the past few years, dozens of sawmills and plywood plants have closed their doors and auctioned off their equipment. Large towns—Eugene, Everett, Roseburg, Coos Bay, for example—have been hard hit by the loss of jobs and the impact on their economies. Smaller communities have been devastated; several have ceased to exist.

Mark Twain once said of Wagner's music, "It's not as bad as it sounds." A closer, comprehensive look indicates that the condition of the western timber industry might not be as bad as it sometimes seems.

The years immediately following World War II and through the fifties were heady, high-flying years. The Nation was rebuilding, family formations zoomed, and the homebuilding industry was reborn. Wood products were in heavy demand, and the industry, then concentrated in the Pacific Northwest, provided a steady flow of products from West to East. So fervent was demand that on any given day, hundreds of cars of unsold lumber would be rolled eastward with confidence that a customer would be found enroute. Lumber vessels passed through the Panama Canal almost daily with cargos to be sold after arrival at east coast ports. Production was largely oriented to the abundance of raw material. Given a timber supply, lumber and plywood mills manufactured almost any standard product and sold it readily.

By the 1960's, the lofty dominance of the western timber industry went out with the Paul Bunyanesque romanticism of the Northwest woods. There were new kids on the block, to the North and in the South. Mills in British Columbia and eastern Canada began to compete more effectively in eastern lumber markets. The South found a new product—plywood—readily adaptable to a new cycle of fast-growing timber that would also help to revive its long-stagnated lumber industry. These developments continued into the eighties and have had a profound effect on lumber and panel production in the West. Furthermore, innovations in wood product engineering and conflicting political concepts of resource management in the West forced the most radical changes in the marketing and distribution of wood products in this century.

[Slide 1] This shows the major wood producing areas of North America today—the West, the South, and eastern and western Canada. Last year, the shaded areas on this map produced about 48 billion feet of softwood lumber and 22 billion square feet of plywood and other wood panels. By way of illustration, it takes about 1 billion feet of lumber to build 100,000 single family houses. [X slide 1]

[Slide 2] Some comparisons between 1979 and 1984 help to zero in on the current status of the Nation's forest products industry. An interesting similarity is that numbers of housing starts in these 2 years were almost identical, at about 1.75 million. Another, shown here, is that U.S. and Canadian combined lumber production in 1984 was comparable to 1979, despite less output from the West. [X slide 2]

[Slide 3] The output of plywood and other wood panels actually increased from 1979 to 1984, going up 9 percent. Both of these two slides show that lumber and panel products have made a respectable recovery from the recession. This fact, in itself, is not particularly significant because it shows an industry reacting to prevailing conditions in the Nation's economy. It is what happened within the industry itself during this period, which is not shown on these graphs, that is important. [X slide 3]

"For a year or more, U.S. lumber producers have been watching with dismay the flow of lumber into the United States from British Columbia. Several ideas have been advanced which domestic lumbermen have hoped would reduce the competitive impact of these imports. Most of these have been proposals which, in one way or another, would restrict the market for Canadian lumber. . ." Those words were published in Random Lengths almost a quarter of a century ago. Today, U.S. manufacturers are in the same place they were 23 years ago. Since 1960, lumber production in Canada has increased from 8 billion feet to more than 20 billion feet.

[Slide 4] Here is what has happened in the last 5 years. The Canadian share of lumber production in North America (shown in brown) has gone steadily upward, obviously at the expense of the West (shown in black), whose share has dropped alarmingly. The South's share appears in orange. As you can see, estimates for 1985 provide no comfort to U.S. producers. Of even more concern is the fact that in ıe

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first 6 months of 1985, over half of all Canadian lumber production found its way to U.S. markets: now one-third of all lumber consumed in this country comes from Canada. [X slide 4]

There are many reasons behind this trend. First, wood products manufacturing is vital to Canada's economy. Therefore, it is not surprising that accomodating Federal and provincial governments have provided a flow of raw material at a cost that has enabled Canadian manufacturers to compete in the United States as well as to supply domestic markets in Canada.

Second, technical advances in wood engineering and building systems opened the door for wood species that would have been unacceptable 2 decades ago. Now they are penetrating deeply into housing and industrial markets. It makes little difference whether 2x4's are manufactured from Douglas Fir or Pussy Willow, so long as they meet strength standards for the job. As cost at the job site became the key, traditional preferences for western lumber diminished. New panel products—waferboard and oriented strand board—produced from timber from the so-called weed tree forests of the East and Canada are replacing plywood in many structural applications.

The rate of increase in transportation costs has also worked to the disadvantage of the West. Products from eastern Canada and the South, with much lower freight rates, have steadily crowded out western lumber and plywood from the populous eastern markets. In one instance, the West lost a market as the result of congressional action.

[Slide 5] The Jones Act restricts U.S. shippers to the use of American flag vessels from one U.S. port to another. This, in effect, requires them to pay transportation costs higher than those available in the international charter market to Canadian lumber shippers. The result has been a steady decline in U.S. intercoastal shipments, as shown here, and left the east coast waterborne market to lumber from British Columbia. Tidewater mills in Oregon and Washington disappeared or converted to other markets, and the volume of cargo shipments from U.S. west coast mills withered to the point where statistics are no longer compiled. Now virtually all lumber cargos going through the Canal are Canadian. [X slide 5]

Many of the same factors I have just mentioned have affected plywood and other wood panel markets. In recent years, they have led to an expanded southern pine plywood industry, now surpassing the West's. More recently, plywood substitutes like waferboard are being produced in expanding volumes in eastern parts of Canada and the United States. Using these plywood sheets as examples, this represents western panel output from Oregon, Washington and California in 1979. This represents the South. Just 5 years later, here is how the picture had changed. The South was outproducing the west coast mills by almost 3 to 2.

Given the present industry scenario, what can be expected in the future? Obviously, its health and viability will ride with the rest of the Nation's economy. For the latter, I will leave any predictions to the likes of Henry Kaufmann who appears to be seldom right but never in doubt.

I think it can be assumed that the industry will continue its trend toward regionalization of production; in other words, the emphasis will be to place manufacturing units in relatively close proximity to consuming areas. Or, put another way, producers will be forced to serve more close-in markets because they will not be able to sell competitively into other regions where the same wood products are manufactured or can be transported from another region at less cost.

The best example is in the West. Ten years ago, more than half of the lumber from western mills was shipped to the East. During the first half of 1985, more than 70 percent got as far as the Rockies. California alone took almost a third. Fortunately the western mills have access to rapidly growing areas such as California and the Southwest sun belt. Currently, the West is second only to the South in new housing starts.

The Northwest wood products industry has undergone some dramatic changes since the late 1970's, and more are in store. It is clear that the industry of 1995 will be considerably different from today's. But it is also apparent that there will still be a viable industry in the region a decade from now.

The "flight" of some major producers from the Northwest and the closure of many smaller mills over the past few years raised alarm in the region. Those closing their mills have cited high labor costs, the availability and cost of raw material, and transportation charges to major consuming areas as the major reasons. They note that in the highly unionized West, the average millworker earns $11-12 per hour, compared to an average wage of $5-6 in the South. They point out the difficulty of competing with Western Canadian mills who pay the equivalent of $7.50 per thousand for stumpage when a mill in the Northwest pays $150 or more. They look

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at short truck hauls from the South to major eastern markets, compared to transcontinental rail shipments on which the freight bill can easily add $100 or more per 1,000 feet to the delivered cost.

But there are many other, less readily apparent, reasons for the closures by major western producers. In many instances, the plants are being closed by major western producers. In many instances, the plants being closed are outmoded. The multi-million dollar investments required to bring them up to date would not be returned to the company for a long time. Many timber-owning companies have largely cut off their private holdings of low-cost fee timber. Projections of raw material costs in competitive markets are too high to justify updating their plants. On the other hand, some will argue that the supply of timber will be adequate in the Northwest in the years ahead. One 1983 Government study summarized that "past Government and private sector concerns regarding a possible domestic timber shortfall no longer seem justified." But, others point out that, while the timber is there, getting it, and at reasonable cost, is another matter. They also point out that ceilings placed on the volume of Federal timber that will be offered for sale over the next 6 years were part of the timber relief bill. Some see the housing industry as a matured business that does not allow for the windfall profits during the booms of the 1960's and 1970's.

There are, however, some positive signs in the Northwest that are often overlooked. While both producing units and employment have slumped about 20 percent, productivity has climbed by an even greater percentage over the period. This has been due to some massive investments in modern technology. In 1979, it took 4.5 workers to produce a million board feet of lumber. Last year 3.4 workers could produce the same amount.

And while producers have permanently closed operations throughout the region, a number of these plants have been purchased by smaller firms or workers cooperatives. These smaller operations have several advantages over their larger predecessors, including access to timber under the small business set-aside program. Many of the previously unionized operations have reopened as nonunion shops at substantially reduced wage costs.

An irony of sorts, is that the big, permanent operators are too big for Small Business Administration set-asides; those that have cut out their cheap fee timber will be forced to close for lack of logs. Many smaller firms are already accustomed to fighting for every stick of raw material and to competing in the marketplace. Small firms seem to have a higher use of technology than many larger companies, more flexibility, smaller log requirements, better sources of farm logs and can usually keep running at some level. As Bob Roberts, executive vice president of the Western Wood Products Association said, "The bottom line is not necessarily a net loss of production in the West in the years ahead, but rather a realignment of the western industry around smaller, more productive, more specialized manufacturing units."

The Northwest wood products industry will survive in one form or another. The timber base exists; there is more commercial standing softwood timber in the three west coast States than there is in the entire South. Large volumes still stand in other western States. Meanwhile, the South's commercial forests are shrinking rapidly. Another recent government study noted that "the greatest regional decline in commercial forestland was in the South. About 12 million acres were diverted to other uses from 1962 to 1977. The South's 'prime timberland' is declining rapidly." And, while a Canadian producer pays less than 1/10th the cost of stumpage that an Oregon mill pays, logging operations are moving to more inaccessible stands, causing skyrocketing logging costs. There are also concerns that Canadian timber is being cut, some say "mined", at an alarmingly rapid rate, and that reforestation programs are, at best, inadequate, sometimes nonexistant.

Along with the geographical rearrangement of the production and distribution of wood products in the United States, other changes will occur in the marketplace, both to the advantage and detriment of the West. New building systems will dictate less footage of lumber and panel products per housing unit. Waferboard and strandboard will replace plywood in more building applications. However, these substitutes will have greatest impact in the eastern United States where most of these panels are produced. Nevertheless, they will further penetrate what markets still remain for western plywood in the East.

Waferboard and oriented strandboard were developed in the last decade, and production has quadrupled since 1980. These nonveneer panels come in the standard thicknesses of plywood, and can be made from almost any wood fibre—aspen, poplar, the pines, and the so-called Appalachian soft hardwoods. Waferboard, as the name implies, is a pressed panel where wood wafers are layered in a random pattern. Oriented strandboard or OSB, as it is popularly termed, while similar in ap-

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pearance to waferboard, has strands of wood aligned, or "oriented" lengthwise and crosswise in layers.

On the brighter side, although some contend that the housing industry which consumes approximately 40 percent of all wood products, has matured, remodeling and home repair are taking increasing volumes. Many housing units built before and shortly after World War II, are being replaced or rehabilitated. Large home center chains have sprung up in all parts of the country that cater to the increasingly popular do-it-yourself trade. Statistics in this sector are sketchy, but it has been estimated that the "shoulder trade" consumes up to one-fourth of all manufactured wood products. Industrial markets—pallets, crating, and other remanufacturing applications—provide stable outlets, even during severe downturns in housing. Offshore markets have been hit hard by a strong dollar, but they remain a viable potential, especially for west coast mills. When more favorable exchange rates return, as they inevitably will, Oregon and the West Coast will be a prime source for wood products to Asian markets.

Today Oregon accounts for about one-fourth of all lumber and plywood produced in the United States; its product value exceeds $2.5 billion annually. Moreover, it represents one-third of Oregon's total manufacturing employment, with an annual payroll of $1.5 billion. Timber sales from public lands are a major source of funds for schools, roads, and local governments, costs of which would otherwise be funded through local tax revenues. Many other Oregon industries and services—equipment, machinery, transportation, engineering, forestry and heavy construction to mention a few—are tied directly to Oregon's forest resources for their livelihood.

It has been estimated that Oregon has more than 400 billion feet of sawtimber, enough to supply the Nation's entire housing needs at the present rate for 24 years. Its softwood timber is recongized as being unsurpassed for the combined qualities of strength, appearance and adaptability. Few areas in the world can claim a renewable resource that is more valuable. Its value will increase with the ebb and flow of other timber producing regions in North America, some of which are already facing the pressures of overcutting. In the long term, Oregon's timber resources can mean more to Portland than Texas oil does to Houston or Pennsylvania coal has meant to Pittsburgh or other cities who must rely on extractive industries for their economic bases.

Unfortunately, Oregon does not control its own destiny in the use of timber resources. More than 75 percent of its timber land is controlled by the Federal Government which has yet to establish a national timber policy for balanced resource management. Too often the policy has been determined by the tugging and pulling of special interests who seek to prevail through delaying tactics, litigation and court judgements. Undoubtedly these conflicts will continue, and the industry is finding it increasingly difficult to defend itself. Without greater public awareness of the industry's economic realities and the significant contribution our forest can make in the future development of our State, we cannot expect the wood products industry to remain the bulwark of Oregon's economic base. Nor can we expect, at the same time, to realize the amenities and opportunities that a thriving industry in a strong economy can provide a healthful, scenic environment for all Oregonians.

I hope I have not left you with the impression that this has been a perfunctory "good news/bad news" report on Oregon's No. 1 industry. With other producing regions facing realignments as the result of gradually depleting resources, and with some predicting that yearly demand for softwood products will increase by as much as 15 billion feet, or 30 percent during the next 15 years, we in Oregon can take some comfort that we have the resources, we have the technology, and we have the opportunity.

Perhaps all this can best be summarized by Yogi Berra when his batting average suddenly plunged. Yogi said, "I ain't in no slump. I just ain't hittin'." Yogi had the strength and the skill to recover. I think Oregon and its forest products industry do too.

Mr. WYDEN. From a standpoint of our resource base and your concern about potential loss, what do you think happens to the price of timber as a result of that loss?

Mr. MCCRACKEN. Well, if the resource base erodes, as it now appears, the price of the raw material will go up dramatically. The smallest sawmill today, if you are going to be in the sawmill business in this region today, you at a minimum will have an investment of probably $15 or $20 million. And the mills that we repre-

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sent with those types of investments have maybe 1.5 to 2 years of timber supply under contract. That is all they have.

The pressure to continually buy timber to keep that resource base at that level is enormous. If you do not have it, your $20 million investment is worth 10 cents on the dollar. So there is the pressure to bid. So if the supply goes down, you are bidding them for the survival of your mill. At that point, the marketplace is secondary. And that is a condition that we do not want to get into again.

Mr. WYDEN. Gentlemen, are other regions of the country facing the same kinds of problems, or is our region just somehow particularly beset by these problems thereby putting us at more of a competitive disadvantage?

Mr. EWING. I think that you have some similar problems in northern California and some others, but I think that this concentration by the industry as it probably should be is in Oregon, Washington, and northern California, because that is where your timber supply has been, and we have built up these capacities in these areas. And based on good faith that we had a timber supply here, and not lost on that basis.

Mr. MCCRACKEN. I would add that in the Rocky Mountains—we have a serious problem here and I think in northern California, but in the Rocky Mountains, we have a different kind of a problem which is also very serious. That is because the price of lumber is so low with this terrible amount of production, that the species over there and the logging conditions put those sales in a negative economic condition, and that is a very serious problem for them.

I think that in the Southeast, the reason that they have been able to expand it is because 92 or 93 percent of that timber is privately owned, and people can go in there and buy the timber, and they know what their raw material base is. We do not have that here.

Mr. WYDEN. I think that it would be helpful for the record, gentlemen, if you could just tell us about what timber receipts mean to local communities in terms of other operating revenues. So that my colleagues in the Congress will know and we have it for the record, how does the relationship work where there are public timber sales and benefits for the community. You might even give us some examples of services that were cut back during the downturn as well.

Mr. MCCRACKEN. Well, just the other day—there are three areas here, the Interior Department lands, the OMC lands. And as you know, 50 percent of the money received for timber goes back to the local counties here in western Oregon. Just the other day, it was announced that that would be about $60 million for this fiscal year.

Forest Service receipts are 25 percent of the gross. They also will be, I believe, in Oregon probably in excess of $60 million. And then the State of Oregon has lands where 75 percent of that goes into the country.

In this recent recession, the classic illustration that I know because I have a residence there is Atiloma County on the coast of Oregon. That courthouse is open 2 days a week.

Mr. WYDEN. After the downturn?

Mr. MCCRACKEN. Yes; it is still open only 2 days a week.

Mr. WYDEN. And normally, it was open 5 days a week?

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Mr. McCRACKEN. Five days a week. It is hard to register to vote there.

Mr. EWING. I would like to mention something.

Mr. WYDEN. Yes; Mr. Ewing, please.

Mr. EWING. With the timber tied up through appeals, planning, and so on, timber sales being sold but not awarded, the lack of timber sales, and the reduction of timber sales, and a future dim proposal, we are concerned about getting our timber supply.

I probably have on the average, my mills probably have less timber under contract than they ever have had individually. I have some mills right now that have as low as 5 months under contract, and they are competitive mills. But I am not going to bid like I did before, if I have to shut down my mill and send my people home during the winter months. And that is pretty drastic, and that is a thing that no one likes to do.

I want to indicate one more type of thing that we have been preaching to the Forest Service. I am speaking strictly of the Forest Service. They used the word PUM [piling unutilized material]. You bring it up to the landing and it makes firewood, which is fine for the people. They said, OK, we have to clean up along the streams because of that same stuff.

Now it is amazing, and we are still preaching to the Forest Service, that is nonsense for this reason. Simply because I am used to this term and cannot think of a better one that is more flattering, the preservationists are saying why are you removing all of that stuff, it should go back to the soil, and it makes for all of the other small wildlife and so on.

So we are saying, gee, if they do not mind leaving it there, why do we not leave it there, why should we have these bureaucratic costs of hauling it up to the landing and all of these kinds of things. So far, we have not seen these kinds of results. That is a very small one, but it gives you an idea. We have not seen these kind of results where you say, hey, if we reduce that done there and those people are saying that it is good for the land, and you have reduced the harvest costs, and you have increased the price of stumpage obviously, and increase your returns to the county and the Federal treasury.

That is a very small one, but those are the kinds of things that we need to look at.

Mr. WYDEN. Just a couple of other questions. Clearly, the timber industry faces lots of critical issues, Canadian imports, tax policy changes, budget changes, a whole host of matters.

In terms of relative importance, where would you rate the planning issue, particularly what the Forest Service is going to come up with next, is that No. 1, or are imports No. 1?

Mr. McCRACKEN. Forest Service problems including planning is No. 1 without question.

Mr. WYDEN. You both would say that your relationship with the Forest Service and planning issues is the No. 1 issue that faces the small timber operators today?

Mr. McCRACKEN. Yes.

Mr. WYDEN. One last question, gentlemen. A number of your members and I think you two as well talked to us in the past about the difficulty with the bonding program. And it is our understand-

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ing that a lot of the small timber operators cannot qualify for the Small Business Administration Bond Guarantee Program.

And Congressman Luken and I both have a great interest in this area being on the committee, and we wonder if you could elaborate a little bit on the problem, and maybe give us some solutions or ideas about how we might make the changes.

Mr. McCracken. If I might suggest, Mr. Wyden, Mr. Siefken, who will be on one of the panels, is specifically here to talk about that.

Mr. Wyden. So you would like to wait, OK. Well, one last point, gentlemen. You all have painted a picture that has got to distress every Oregonian, every Oregonian who wants to have jobs, and every Oregonian who wants to preserve our very special outdoors and way of life.

What are the positives, what are the hopes, what do we have in the West that other timber operators do not have?

Mr. McCracken. We probably have the finest timber.

Mr. Wyden. And the best people?

Mr. McCracken. The best by a long shot. And some of the finest mills in the world. We have a great infrastructure, roads, communities.

Mr. Wyden. So when we get our act together, we have got a tremendous amount to work with?

Mr. McCracken. Absolutely.

Mr. Wyden. When we isolate the instances of bureaucratic nonsense and Government that does not work, we can get the vast majority of Oregonians behind a planning process that makes sense, have jobs, have the wilderness, and make business, and labor, and environmental values all compatible, can we not.

Mr. McCracken. Yes.

Mr. Ewing. As we said, we think that we have the most compatible mills in the world. And you can go anyplace, and they all believe that. But let me give you a reason why I think that that is so. In all areas, you have a competitive bid for public timber. Most areas especially through the South, you have a choice, because in the total Southeastern United States, 1-billion-board-foot-of-timber is sold. And if you do not like the way they sell the sale, you have an alternative of buying private timber.

Here we do not have any alternatives. It is public auction which we believe in, and it means you better have a damn competitive mill to do that job. And we do have that, because either you have a competitive mill or not survive.

Mr. Wyden. Gentlemen, I do not have any further points. Let me check with the chairman from the standpoint of the record.

Mr. Chairman, is it 10 days for additional materials?

Mr. Luken. Without objection, that will be so ordered. And I want to thank Mr. McCracken and Mr. Ewing. It certainly has been enlightening to me to hear about the state of this all important industry not only to Oregon but to the whole country. Thank you.

Mr. Wyden. Let me take Mr. Butruille next. And Mr. McCracken and Mr. Ewing, you took off before I was able to say my thanks to you for your participation, and we will leave the record open for additional materials that you would like to furnish.

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Mr. Butruille, we welcome you, and we appreciate your participation. I know that both my colleague and I have some questions for you. But I think that what I would find most helpful, because I know that you have been sitting very patiently and taking notes, I would be very interested in your seat of the pants reaction to what has just gone on before over the last half an hour.

You have heard Mr. Ewing and Mr. McCracken talk about bureaucratic nonsense, and they talked about a variety of things that concern them greatly. We heard them say that this was the single most important issue in their view as to the well-being of the wood products sector. And before my colleague and I ask some questions, I would be interested in any response or thoughts that you might have in response to Mr. Ewing and Mr. McCracken.

TESTIMONY OF JOHN BUTRUILLE, DEPUTY REGIONAL FORESTER, U.S. FOREST SERVICE, PORTLAND, OR

Mr. BUTRUILLE. I guess that I would start by saying that I have met with a lot of groups in Oregon and Washington. I have been in my current job as Deputy Regional Forester for Resources for about 2 years. And I have talked to a wide variety of groups. And the concerns expressed here are not unique. They are shared by lots of folks in both of these States.

I almost get the feeling at times in talking about land management planning with any group of being Daniel and asking the lion not to be hungry when you sit up in front of them. Because the feelings that are held by folks in this area are strong, and they are usually stated in advocacy terms.

If you are meeting with an environmental group, an environmental oriented group, you would hear a similar level of concerns but with different results and different requests of where the forest planning process will take us.

Region 6 of the Forest Service is further behind the other regions of the Forest Service nationally in the planning effort.

Mr. LUKEN. If I could interrupt, what are the boundaries of region 6?

Mr. BUTRUILLE. It includes the States of Washington and Oregon. There are minor acres in northern California where terrain dictates a logical boundary. But it is primarily those two States, sir.

Mr. LUKEN. All right.

Mr. BUTRUILLE. We are rapidly catching up in the planning process. At the present time, we have completed draft forest plans on 7 of the 19 National Forests in the region, 5 in Oregon and 2 in Washington. Three of those plans have cleared our Washington office, and are ready to go to publication, and we hope to have those out for public review in the next several months.

I want to emphasize that these are draft plans. We have not as yet shared the specifics of the alternatives that will be displayed in those plans with any of our publics other than in the most general terms. We feel that it is essential to get these plans on the street and have open public debate, so that all interested people in these two States and nationally can have input into that process.

I also want to emphasize that these draft plans will display a range of alternatives. And speaking specifically of outputs from a

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timber standpoint, that range will cover the current level of harvest, and in some cases an increased level of harvest coming from those individual forests as well as a reduced level of harvest when the emphasis for that particular alternative is more amenity oriented.

We have not selected final alternatives at this point in time. The draft statements will display a Forest Service preferred alternative. And the primary reason for that is to focus the discussion. As you probably know, in many of our EIS' [environmental impact statements], we have not identified preferred alternatives.

In this case, we felt that it was essential that the public would know where the Forest Service was coming from, that their discussion and review comments would focus on that. I fully expect that preferred alternatives in the seven plans that we reviewed to date in the regional office as well as the others will not be fully endorsed by any group.

It is an obvious emphasis to get balance in the Forest Service Program in these two regions. The definition of balance frankly is in the eyes of the beholder in most cases. All of us in the Forest Service recognize the importance of the timber industry to the Northwest. All of us also recognize that the Forest Service Timber Program in region 6 in these two States is here today and will be as long as I will be around and into the future will continue to be the largest Timber Program in the National Forest System.

It is because of the terrain that we have and it is because of the location of the lands, and it is because of the size of the lands and the ownership patterns. I do not think that that will change.

There were some concerns expressed about litigation. I would say that I share those concerns. I have to admit that as a manager, as a district ranger, as a forest supervisor, and now as a regional line officer, that it is frustrating at times to have your professional judgments challenged.

But I also must say that because of this challenge, I think that we make better decisions. We look at our whole card, we look at options better. And I think that we do a better job on the ground as well as through the process that NEPA requires.

I think that we also need to keep the appeals process and litigation process in perspective. At the present time in region 6, we are processing about 50 appeals. Probably about one-half of those appeals deal directly with timber. They are either on individual timber sales or on road access to timber sales.

The other half are for a variety of reasons ranging from fees on summer homes to fees of ski areas to you name it. We are also dealing with 20 pieces of litigation, court action, that are significant. They range from the Mapleton suit and the Northside suit down to an individual who has exhausted the appeals process, and is still not agreeable with the results and is going to court.

In regard to the 25 timber sales that currently are under appeal in the region, this year we are selling 1,400 timber sales that have a value of $5,000 or larger. And those 1,400 sales cover 4.5 billion board feet of timber. I have had some conversations with folks in the timber industry that say the only way that we are going to continue to sell timber is to do an environmental impact statement on

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each individual sale, so that we can avoid the possibilities of litigation.

I would submit that to go through that expense and that time process is not worth it when we are talking about 14 sales out of 1,400, or 24 sales, pardon me, out of 1,400.

I think that the appeals process and the judicial process that is in place works. It is frustrating at times when you are on one side or the other. I frankly do not want to change the process.

I guess my frustration boils over when I feel that it is being abused to satisfy an individual's personal needs as opposed to some broader context, but hat is the way that it is designed to work.

There were lots of comments made about the bureaucracy in terms of the planning process that we are going under. It is involved, it is complicated, it is a legal process. It is mandated by law and Federal regulation. The law was heavily debated as you know, and the regulations were heavily debated. They were formulated by a committee that was set up under the provisions of the law. The Forest Service was not involved in that in a direct way, but was involved in it in an advisory capacity, and of course charged with the responsibilities to implement those regulations.

It is an involved process. It is also expensive and it is time consuming. I think though that we have the best information in hand that we have ever had to manage these public lands. I also think that the plans that will come from this will truly reflect the needs as well as the opportunities from these lands for not only the citizens of Oregon and Washington, which those of us who live here have a particular concern for, but also the people of the country. And we have a responsibility since that they are national forests and not State forests.

And with that, I guess that I will just try to answer some questions.

Mr. WYDEN. Very good. Let us begin with the gentleman from Ohio.

Mr. LUKEN. You have reacted, Mr. Butruille, to the comments that were made by the two previous witnesses. Can we take a specific one? I believe that it was Mr. Ewing who referred to the bald eagle, and he gave a specific instance that some remote area was being protected for the bald eagle, and really the bald eagle's habitat was near the highway.

Would you react to that?

Mr. BUTRUILLE. I will try to. The bald eagle in the lower 48 States is a threatened and endangered species classified so by the Federal Government in the fish and wildlife law under the Endangered Species Act. That sets some pretty mandatory requirements in view of how we manage the lands immediately adjacent to the habitats identified for those critters.

One of the provisions of that legislation is that we must consult with the Federal Fish and Wildlife Service on any activity that is adjacent to those areas. We cooperate with those folks on a day-to-day basis. And typically, we set aside an area immediately around that to minimize the impacts of logging or other activities.

Obviously, the nest sites for the bald eagle is not occupied on a year round basis. We are sometimes able to carry on some activi-

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ties when the nest is not occupied, but it still impacts the total productivity of the land that is immediately adjacent.

I spent 4 years of my career in Alaska where bald eagles are not a threatened and endangered species. If they had been, we would have had one-quarter of a mile wide strip around every island in southeast Alaska, because there is an eagle on every second snag. We work with the laws that are applicable in this part of the country.

Mr. LUKEN. I am not sure that you reacted to his criticism.

You are not familiar with the specific instance that he is referring to?

Mr. BUTRUILLE. I am not familiar with the specific instance that he is referring to in terms of location.

Mr. LUKEN. But the way that it works out in your region, it does create problems that might justify Mr. Ewing's observation, is that what you would say?

Mr. BUTRUILLE. I would say that his observations are correct. I have no problem in visualizing an eagle tree that is adjacent to a highway, that we would restrict activity around that. The eagle probably arrived after that. We are reacting to a Federal law that says that is what we will do. That is the Endangered Species Act. Our duty is to administer that legislation, and cooperate the way that it dictates.

Mr. LUKEN. Well, do you have any suggestions that would somehow reconcile the two?

Mr. BUTRUILLE. No; I think that the way to reconcile the two is to continue to do what we do, and that is work with the agencies that have shared jurisdiction for those problems, and try to use as much commonsense as the flexibility of the law allows us.

Mr. LUKEN. Do you think that that is working out?

Mr. BUTRUILLE. I think generally speaking that it is working out satisfactorily; yes, sir. I think that if we did not have that, that we would be in court on every single eagle tree that anybody ever found.

Mr. LUKEN. Well, I am getting my baptism here, so my questions are not going to be that sophisticated on this issue. But let me ask a general question.

Do you think that you have the resources to formulate the plans that we have been discussing?

Mr. BUTRUILLE. Yes.

Mr. LUKEN. In a timely fashion?

Mr. BUTRUILLE. Yes; we have had a series of delays, most of which resulted because of court action. We were challenged on individual activities where either individuals, groups, or corporations felt that the approach that we were taking was inadequate to meet the intent of the law.

We have gotten some adverse court decisions, adverse from the Agency's perspective in that thing, and we have had to adjust our planning process to meet those legal requirements because of the jurisdiction that we reside in.

Mr. LUKEN. So you believe that it is the court's decisions that have thrown the monkey wrench into the plans?

Mr. BUTRUILLE. Partly. I think also that it is a complicated piece of legislation, and the regulations are complicated. It took us some

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time to interpret and establish a process that would let us move through that. We are well through that stage. Our time schedule now is to be completed with the draft plans by early 1986, and the final plans by the end of 1986. That is assuming that we do not get an additional challenge.

Mr. LUKEN. How long have you been working on them now?

Mr. BUTRUILLE. We have been working on them in the region since the National Forest Management Act was passed in 1976.

Mr. LUKEN. 1976.

Mr. BUTRUILLE. Nationally, out of 145 national forests, I believe that 100 of them are finalized.

Mr. LUKEN. Well, it would seem like that has been a long time. How much have you spent here in this region?

Mr. BUTRUILLE. This is my second tour.

Mr. LUKEN. No; I did not mean time.

How many dollars has the region spent?

Mr. BUTRUILLE. The $100 million figure per year is I would say is a good estimate. I do not have an exact figure.

Mr. LUKEN. All right. I think that my time has expired, and I thank you very much. I yield back to the Chair.

Mr. BUTRUILLE. Thank you.

Mr. WYDEN. I thank the gentleman.

What did that $100 million go for, Mr. Butruille, could you break down where it goes? That is a lot of money, and people want to know what we have to show for it.

Mr. BUTRUILLE. It is a lot of money. The bulk of the dollars went to gather information, inventory information on the resources that were there, the condition of those resources, and the opportunity to increase those resources. The bulk of that information is in use every day in the management of the national forests.

Mr. WYDEN. When you say the bulk of the money, are we talking about $70 million was spent gathering information, $50 million?

Mr. BUTRUILLE. I would be guessing, but I would say that it would be closer to the $70 million figure. That is an estimate on my part.

Mr. WYDEN. $70 million of the $100 million has been spent gathering information?

Mr. BUTRUILLE. That is correct.

Mr. WYDEN. And you have to hire new people to do this?

Mr. BUTRUILLE. No; we have not. In this region and nationally, we have approximately 20 percent fewer people than we had 5 years ago in the employment ranks in the region. We have shifted some people and shifted their time to meet the needs. We have comparatively few full-time people who work on planning.

On the average forest, it would probably be 6 to 10 people who work on it on a full-time basis. The bulk of the individual effort is on an ad hoc basis as expertise is needed in certain areas.

Mr. WYDEN. How do they gather this information, do they go out and talk to different groups, industry groups, environmental groups, wilderness groups, how is it gathered?

Mr. BUTRUILLE. They do that to a large degree. They also do specific information gathering or contract to have people do it. Some examples, archeological inventories are typically contracted, be-

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cause we have very limited archeological skills. We are required to do on site specific inventories for that resource.

We do a continuous forest inventory process within this region and nationally where we try and update stand information, timber-stand information on all timbered land on a 5-year revolving cycle. With 19 forests, we have 3 of those going annually. That is a major investment. Most of those are done contractually.

Mr. WYDEN. Will you furnish us for the record a detailed breakdown of that $100 million; do you have any objection to doing that?

Mr. BUTRUILLE. No; I will try to get that information for you, sir.

Mr. WYDEN. Does financing have anything to do with why we are behind so dramatically? It seems to me that we have talked about 7 out of 19 plans even basically in motion, and that is a lot of money that you are getting. And I wonder if there is any relationship to money and being on schedule.

Mr. BUTRUILLE. No; I think that the main reason is a change in process brought around by increased interpretation and experience with the legislation that came not only within this region but nationally as well as interpretation that came through judicial review.

Mr. WYDEN. But if that was the case, and I understand that you feel that way, why are we so behind everybody else. In other words, everybody else had the same changes in interpretation and the line.

Why are we so much further behind them?

Mr. BUTRUILLE. Well, I do not think that we are that far behind, sir. The bulk of the regions have completed draft plans. We have approaching one-half of ours in completion with the rest scheduled in the next 4 to 6 months. It is that magnitude of change. We are not years behind regions elsewhere in the country.

Mr. LUKEN. Would the gentleman yield for a moment?

Mr. WYDEN. Yes.

Mr. LUKEN. Is this problem aggravated here in Oregon by the fact that in this area in region 6 that there is not really much in the area of private timberlands, right?

Mr. BUTRUILLE. I would say that we get stronger scrutiny because of the interests on both sides, from the environmental to the industry side than at least what I have experienced elsewhere.

Mr. LUKEN. In other areas in the South, there are more private timberlands?

Mr. BUTRUILLE. That is correct.

Mr. LUKEN. So the pressure is much greater here?

Mr. BUTRUILLE. The pressure is greater here.

Mr. LUKEN. On the Federal timberlands.

Mr. BUTRUILLE. Yes, sir.

Mr. LUKEN. Yet you are behind, so that makes it doubly a problem.

Mr. BUTRUILLE. Sir, there is a lot of interests on the public lands here other than from the timber industry which also compounds the problem.

Mr. LUKEN. I yield back.

Mr. WYDEN. Well, Mr. Butruille, one thing that everybody in our region agrees on is a strong viable reforestation program. Everybody is in favor of that. The committee is interested in whether our

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region 6 plan is going to contain a reforestation section, a reforestation plan.

Mr. BUTRUILLE. Yes, sir; it will. It will describe that activity. As you know, we are caught up on reforestation. It is a continuing program.

Mr. WYDEN. What factors are considered in deciding which lands are going to be reforested?

Mr. BUTRUILLE. Well, we are required now and have been for the last 10 years in our harvest schedule, we harvest lands that we plan to reforest. If we do not feel that lands are capable of being reforested, we are not scheduling them for harvesting, and have not been for several years.

Mr. WYDEN. How does the Forest Service see the planning process affecting timber output in the region? We have heard all kinds of numbers bandied around, and I would be interested in your appraisal of what planning is going to do to overall timber output in the region.

Mr. BUTRUILLE. I think that the overall timber output in region 6 after the plans are completed regionwide will be somewhat reduced. I think that that level of reduction will be less than the industry folks indicated that it will be. But I would caution that we need to go through the public comments on the draft plans individually, and look at what the final decision is before we arrive at a number.

Mr. WYDEN. But we have heard a variety of numbers thrown around like 6 percent for example.

Is that what it is likely to be, or 2 percent? What we need and what we would find very helpful is if you would give us some idea of what is coming in terms of timber output and these plans. I think that, more than anything, is what concerns me, Mr. Butruille, is that I think people on all sides of this, the timber industry, the environmentalists, the elected officials are looking for some certainty and some idea of what is coming and when it is coming. And it would be most helpful if you could assist us in getting it.

Mr. BUTRUILLE. When we complete the final draft, we will have a good indication at least of where we will start from and where the debate will start from, because we will be able to total up the individual preferred plans as identified by the Forest Service. That will be a point of the start of the debate.

As I have indicated, I think that industry will be dissatisfied because those numbers in my judgment will be less than our current sell program in the region, but above our current harvesting program on an average in the region.

Mr. WYDEN. Say that again, I could not hear it.

Mr. BUTRUILLE. In the last 10 years or the last 15 years, the Forest Service in region 6, our timber sell program has averaged about 4.8 billion board feet of timber. Our average harvest level from national forest lands for that same period has averaged about 4.1 billion board feet. That is one of the reasons I believe that when the buy-back legislation was enacted that we had about 18.4 billion feet of timber under contract in this region.

Mr. WYDEN. And in terms of timber output, I cannot get any kind of prediction of 6 percent?

Mr. BUTRUILLE. No, sir; I would give you a range that I think that it will be somewhere in the 2- to 5-percent range.

Mr. WYDEN. A 2- to 5-percent range based on your analysis at this point in terms of reduction in timber output in region 6?

Mr. BUTRUILLE. That is correct.

Mr. WYDEN. I want to ask you about two statutes that I hear a great deal about. The one that authorized the planning process about 10 years ago; and second, the Wilderness Act, the legislation of the last Congress.

Are there any areas where you think that the Forest Service has acted in a fashion inconsistent with those two statutes? Because I hear this continually, that the Forest Service is freelancing, that they are doing something that is out of line with the statutes. And I would like to have for the record whether you think that there are any instances where the Forest Service has acted in a manner that in any way deviates from those two kinds of statutes, No. 1; and if so, what such an action took place?

Mr. BUTRUILLE. I am not personally aware of any. With a piece of legislation as complicated as the National Forest Management Act, I would be naive to say that we are 100 percent in compliance everywhere. I would think that we are close to that everywhere though.

Regarding the wilderness legislation that was passed last year in Oregon and in Washington also, both of those pieces of legislation as Mr. Ewing or Mr. McCracken indicated said that the roadless areas that remained that were not classified as wilderness were open for management for this round of planning.

The National Forest Management Act, as you know, requires that the plans be updated every 15 years or sooner if there are significant changes. So what we are talking about is a 15-year window, if you will, that the plans will cover.

We typically are working on about a 7-year period of timber sales as an example, and that is where the controversy is. And that is sales that are being acted upon today as well as sales that are being planned on today that will be sold 7 years from now.

We have sales in that 7-year program that will fall within roadless areas. The bulk of those sales are noncontroversial. Some of those sales are extremely controversial. Mr. Ewing mentioned Hardesty Mountain. That was subject to a lawsuit and an appeal. And it is very complicated and very controversial. We have others like that.

We will meet the intent of that legislation, and we have, I feel, in terms of we have scheduled sales in there. What we are not doing is escalating the sales that are scheduled in roadless areas in order to enter them in an unplanned manner. We are continuing to work on the ones that have been in our 7-year program. They were in there prior to the legislation, and we are adding sales.

But those sales that are added as we go through the NEPA process will be thoroughly reviewed and commented on by the public, and we may change our mind depending on the level of concern expressed by the public.

We have some timber sales in the region now. And because they are within roadless areas and because we know that they are going to be controversial with some segments of the public, we are in fact

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doing a full environmental impact statement on as opposed to an environmental assessment.

We know right up front that they are going to be that emotionally charged that we are just going to avoid the middle man and go right into an EIS. But that is the exception and not the rule.

Mr. WYDEN. Well, I would really urge you to follow the letter and the spirit, because my colleagues in the Congress and in the Northwest delegation are extremely concerned about this, and we labored long and hard over legislation like that wilderness bill. We put months and months, years into that legislation. And now we have both environmentalists and industry people coming to us and saying that the Forest Service is not carrying out the intent of Congress.

I am going to review the testimony today very carefully of the witnesses who I think in many instances are going to say that the Forest Service is not carrying out the intent of Congress. And I would urge you to do so as well. And certainly, you are going to hear from me in those areas where I think congressional intent is not being followed. Just a couple of other questions.

In developing the Forest Service's plans, does the Forest Service consider how much private timber is being cut and plans to be cut? As you know, there was a report done from Oregon State University in 1979 which deals with this issue, and I am interested in whether the Forest Service looks at how much private timber is being cut, and factors that into the plans.

Mr. BUTRUILLE. Yes, sir; we do. I think that you are referring to John Buter's report from the OSU that was incorporated into the Forestry Program for Oregon, the State Forestry Program. One of the alternatives is that in each forest plan within the State of Oregon, it will address the assigned targets to national forests that came out of that State plan. That in most cases is a significantly higher level of timber output than we currently harvest from those forests.

In order to reach that, in almost all cases it required a departure from even flow. The National Forest Management Act permits that kind of departure. We are trying to be extremely careful to lay out the implications of that. Because what that means is that you will increase the harvest in the short term, but it will decrease in the long term. And that also has some significant impacts as you look at outyears. We will be assessing that type of an alternative in each forest in the State of Oregon.

Mr. WYDEN. Mr. Butruille, one last question that I think goes right to the heart of it.

Do you see this as an issue that is just jobs versus environmental values? I have had many people come up to me and say this is the tree versus the owl. I think that is just unacceptable as a concept. It is that we in Oregon, we want our jobs, we want to be able to support families, and we also want to preserve some treasures that are unequaled anywhere else on Earth.

And the best way to do it, of course, is to have all of you bringing common sense and practical application of the statutes to actually put it out in real life. And I would just be interested and find it helpful for the record as to how do we get around this kind of po-

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larization, and do what the vast majority of citizens who do not belong to any extremist kind of orientation wants us to do?

Mr. BUTRUILLE. I think that the way to do it is to get the draft plans out on the street and open for public debate and review, and be able to assess that input as we receive it. I agree with you totally. I do not think that the issue is owls versus jobs. That is an oversimplication that does neither justice. It is much more complicated than that.

The complexity and interest in national forest management and planning are heavier here in the Northwest than any place that I have been in my career. I think that we have to have the public debate what that type of value warrants.

I suspect that our plans will be challenged. They will be challenged through the appeal process. I think that in some cases that they may even be challenged through the judiciary process. And I think that that is a course that we have to work our way through. It is not going to be easy. It is going to be very frustrating for everybody, not just the Forest Service. I think everybody who is involved in that. But I think that it has to go that way. The issues at stake warrant that kind of discussion.

Mr. WYDEN. I think that we have to find better ways and better techniques to reach this balance. Because I hear it continually that the uncertainty and the confusion, and what our citizens feel is a real arbitrariness, is making this process one that does not lend itself to securing the two things that Oregonians want, their jobs and preservation of environmental values.

And I would urge you to look at this record very carefully today. And I am going to, because we are going to get some ideas and suggestions of where to go from here. You all get $100 million at the Forest Service to come up with a way to get these plans out on time in clear and understandable language, so that the people know what the ground rules are.

The fact of the matter is that our citizens do not think that it is being done. We have got to figure out a way to do it. I am going to work with the Forest Service to make sure that that is done. If the current system needs to be changed, we are going to have to get changes. It is just a question of a process. And if some bottleneck is holding some things up, we can probably handle that more expeditiously. And if not, we are going to have to have some legislation.

I know that we will have the cooperation of the Forest Service, and I suspect that we will see you often in the days ahead.

Mr. BUTRUILLE. I am sure of it. Thank you.

Mr. WYDEN. Thank you.

Our friend and colleague, Congressman Luken, has a plane to catch, and we have made it through several panels already. I think that we will take, with the chairman's permission, perhaps a 5-minute break, and then we will come back and do our remaining panel.

Mr. LUKEN. Well, thank you. And I do apologize for having to leave so unceremoniously. But I do have a commitment to get back to Washington. And I might complete my brief stint here by saying that we do have a commonality of interests. We find that our industries nationwide have many of the same problems.

The Small Business Committee is an advocacy committee. That means that when we are doing our job, we are advocates for American business. And I think that I can say as I said before that I was getting a baptism of the problems in your industry, and I think that I can say that I have become as a result an advocate of what is obviously a premier industry in the country, and one that is a tremendous national asset.

So we will keep these things in mind in our deliberations in Congress in the future. Thank you.

Mr. WYDEN. Well, we thank the gentleman from Ohio. And as I said earlier, he could have been many, many other places besides with us.

Mr. LUKEN. None more beautiful.

Mr. WYDEN. Well, we think so, and we appreciate the gentleman's support and leadership. Have a safe flight home, and we will take up the public business in Congress tomorrow. We will take a 5-minute recess.

[Recess.]

Mr. WYDEN. The committee will come to order. Our next panel will be Mr. John Hampton, president of Willamina Lumber Co.; Mr. Norm Seifken, president, Taylor Lumber Co.; Doug Giles, president of Douglas Pacific Lumber Co.

Gentlemen, it is good to have you with us. And we very much appreciate your attendance today. We will make a copy of your prepared remarks part of the hearing record. And let us go right to covering the things that you are interested in.

In fact, in the interest of time, if you could summarize your key concerns, and we will make a full copy of your hearing remarks a part of the transcript. And we will save plenty of time for questions.

Let me if I might say one other quick word before you begin. Now as I said several times today, I think that Oregonians want to see us have jobs, economic growth, and a way to provide for their families. And they also want to preserve environmental treasures, the wonderful outdoors, and all that we have to offer to Oregonians and the rest of the world.

What they do not like is the bureaucratic nonsense that Mr. Ewing had referred to. And if you could really help us isolate some of those cases of foolish bureaucracy and Government that does not work, I think that that is something that we can get general support for and go after very quickly.

So if you would really use this time to help us highlight those instances, I would find that very helpful. Who would like to begin?

Mr. SIEFKEN. I guess that I am the first culprit.

TESTIMONY OF NORMAN J. SIEFKEN, PRESIDENT, TAYLOR LUMBER & TREATING CO., BEAVERTON, OR

Mr. SIEFKEN. I thank you very much for giving me the opportunity to be here today. My name is Norman Siefken, and I am president of Taylor Lumber & Treating Co. It is a small family-owned business, and it has been there over 30 years in Sheridan, OR. We employ about 200 people. And being the largest employer in the big city of Sheridan, they are very dependent on our payroll.

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Of course, we are not unique. There are many, many small business mills of our type in Oregon. However, there are a lot of them that are not there today. And this, of course, has been very devastating on our communities, catastrophic to the families, and the men without jobs. So what we are really concerned about are some of the things that affect our business.

Some of these that I would like to discuss today are the bonding and insurance rates. And since we are 90 percent dependent upon the Forest Service, and BLM, and State timber, this bonding is very, important to us.

Our bonding rates in 1980 for performance and payment bonds were at the $4 and $5 rate. As we went into our depression—everybody calls it a recession, but I call it a depression for us—the insurance companies, the bonding companies, raised our rates periodically until it came to a point where our rates were $12.75 and $15.

And we were also told that they did not really care about our business, and they would be very happy if we took it elsewhere. We did just that. We went to another company, we got our bonding changed, and the rate at that point was $9 and $10. Now in the last few months, our latest bonding company again has told us that our rates are now back up to board rates of $12.75 and $15 again.

And without bonding, we would have one heck of a time—I could use otherwords—of running a business. We could do it partly, but it would be tough. And I understand, and I have no proof of this, but I understand that big businesses have bonding rates that are still in the neighborhood of $2 to $4.

With what we have to pay for our timber, and now what we have to pay for our bonding, it just puts us into a crunch. And I assume that we are not the only small mill. In fact, I have heard of other mills that cannot even get bonding.

For several years we lost money. In the last couple of years, we have been moderately successful. Our men have taken a cut to help out. We have increased our productivity, and as Joe McCraken was talking about, this helped tremendously. The local bank has been very helpful to us.

In fact, in the last month, they lowered our interest rates. It is still the bonding. The insurance companies say, hey, we do not want your business. This is what we charge. If you do not like it, go someplace else. And there are very few bonding companies that we can go to.

And another thing. If we were such a bad risk—I am speaking of our company in particular—why does the bank continually lower our interest rates? In fact, they have even offered to lend us more money.

So we have come through a tough, tough time. I think that we have been relatively successful, but still we are being bombarded by this problem.

We understand Joe McCracken, of the Western Forest Industries Association, has had some discussions with some people at the Small Business Administration about our bonding problem. And as I understand it, the SBA does issue bond guarantees. However, there is a $1 million limitation and a 1-year limit on time.

Even though the amount of the Forest Service bonding has a limit of $500,000, the value of the contract usually exceeds $1 mil-

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lion. With the price of timber, this amount is easily exceeded. And the length of most contracts is 2 to 3 years. This usually went higher in previous years. Would or could the SBA work with the timber industry relative to our bonding problem?

If the $1 million limitation is statutory by nature, would it be possible to change this? Possibly it could be used for the bonding limitation rather than the contract value. In other words, the $500,000 limit could be used rather than the total contract value.

Mr. WYDEN. Excuse me for interrupting.

Then that would not cost the Government any more money, would it?

Mr. SIEFKEN. No; no additional cost to the Government. In regard to the duration of the contract, the 1-year limit is too severe to our business. I do not know whether this is a statutory problem or whether it is the policy within the SBA, but whether this could be changed or not we don't know. I understand that the $1 million limit is statutory.

Mr. WYDEN. Let me just interrupt you for 1 second.

Has the SBA made any effort to meet with the small timber operators on this?

Mr. SIEFKEN. WFIA, Joe McCracken, has had the only contact that I know of. I have not discussed this with anybody else.

Mr. WYDEN. Because if the small operators would find it helpful, I think that I could certainly arrange for such a meeting.

Mr. SIEFKEN. I think that we would be very appreciative of that.

Mr. WYDEN. Excuse me for interrupting.

Mr. SIEFKEN. No; that is perfectly all right. So maybe there could be an easy way to change this. This is just generally an overview, and I will speed along to complete my statement. Another situation with our company is the insurance rates. At this point in time, our insurance rates, let us take an umbrella policy for instance. In 1980 for $10 million, our umbrella policy was $9,250. That was our yearly cost. Then 2 years ago we increased it to $20 million, and the cost was $11,000.

This year, the most they will give us—the insurance company—for umbrella coverage is $2 million. Primarily part of this reduction is because we own a treating plant. The cost is $20,000 for the $2 million. Previously, we had a $11,000 cost for $20 million.

Mr. WYDEN. So your insurance costs more than doubled in 1 year?

Mr. SIEFKEN. That is right, that is so right. This is just our umbrella coverage. Our property and casualty has gone up 60 percent. Our fire insurance has gone up only 10 percent; only I say. And over a 3-year period, our workers comp has gone between 20 and 30 percent.

So not only are we being hit by the high cost of stumpage, but we are being bombarded by the bonding people who say, hey, we really do not want you, so take your business elsewhere. And the insurance company is boosting the cost of our insurance.

So with that, I plead that you can help our industry and give us some relief.

Mr. WYDEN. We will have some questions in a little bit, and I appreciate your input.

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Mr. Giles, we will go with you at this point, and then Mr. Hampton.

TESTIMONY OF DOUGLAS L. GILES, PRESIDENT, DOUGLAS PACIFIC LUMBER CO., BANDON, OR

Mr. GILES. Thank you, Representative Wyden, for the opportunity to testify on the topic of small timber operators in Oregon's future. My name is Douglas Giles, the owner of Douglas Pacific Lumber Co. that is located in Bandon, OR. It is a small independent sawmill and planer operation. We produce 50 million board feet of lumber per year, and employ 70 people and create another 70 to 80 jobs in the woods.

Since Douglas Pacific Lumber Co. does not have its fee stumpage, we purchase stumpage from both BLM and the U.S. Forest Service. Because our operation uses only a portion of the grade and volume off of a sale, we process approximately 45 to 50 million board feet of Government stumpage to supply our sawmill with logs. This requires us to have activity on three to eight or nine timber sales at any one time. We have an office staff of one and one-half people and a computer, and we have two full-time timber staff people.

Rather than talk in generalities, I would like to take one timber sale named the Whitten Prairie, and give you some real true experiences in doing business with the Gold Beach Ranger District, Siskiyou National Forest, U.S. Forest Service, Department of Agriculture.

Before going further, this stack of documents is the file for the Whitten Prairie sale.

Mr. WYDEN. So you mean there is more than one or two pages involved in trying to move forward with the sale, right?

Mr. GILES. Yes; this stack includes Government contracts. It includes our EEOC plan.

Mr. WYDEN. It looks like you have to have a little weightlifting experience.

Mr. GILES. This is one sale. We operate between three and nine at one time. It has nonsubstitution documents, and has inspection reports.

We were awarded the Whitten Prairie timber sale in December 1982. We began road construction and construction projects in the spring of 1983. And for us to be a good customer of the Forest Service, we like to hire the best contractors we can. We need to do business with the Forest Service, and we need to do it efficiently. We had very good contractors on this particular job.

We had a road builder who builds 20 to 25 miles of new construction Forest Service spec roads per year. We had a logger who operates 10 to 13 logging sides at any one time on Government lands. And we had a trucker who runs 80 to 90 trucks all the time. They are very financially sound and very technically competent people.

Having spent $940,000 on the road projects, we were told by the Forest Service that the road was not suitable for winter haul.

Mr. WYDEN. They told you after; why could you not have been told beforehand?

Mr. GILES. They require that the road projects be done. It was in our contract that this was part of the project costs for the sale.

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After the road was essentially finished, prior to giving final approval of the road project, we began our logging plans. They said that the road was not designed for winter haul.

Mr. WYDEN. Excuse me for interrupting. Now this has nothing to do with an environmental issue?

Mr. GILES. No, no; this is just an ongoing sale.

Mr. WYDEN. This was a question of you basically spending $1 million.

Mr. GILES. Correct.

Mr. WYDEN. And then the Forest Service saying you have to do it another way?

Mr. GILES. Or do not haul over it.

Mr. WYDEN. Or do not do it.

Mr. GILES. We put 8 to 12 inches of rock over the main haul route. And they said that the rock design at the base is not adequate for winter haul.

Mr. WYDEN. And this has nothing to do with any environmental issue, there are environmentalists opposed to this, but just $1 million for a small timber company out of pocket, because this was not handled as it might have been.

Mr. GILES. Bear in mind that $1 million will be a purchase or credit which we will get back. The most important part in your questioning is the fact that the previous winter that another timber company had hauled over 5 million board feet down the same road without spending any money other than just normal routine maintenance at the same time of the year. Well, at this point in time, emotions ran pretty high. We had spent the money. Those logs were destined to be our log source for the winter and during the spring months. And at this point in time, we really had no alternative because of the lateness in the season. This was in October or early November.

Second, we did not have another $1 million to go do it over again if there was another project. So we ended up doing battle with the engineers in the district. We did battle with the region forester. We had attorneys write letters. We took video tapes of the road, and made our first movie, On the Road to Whitten Prairie, and a few things like that.

Finally, we got permission to haul over the road. When we started hauling and started operations, we had actually operated the sale a total of 180 days in which we delivered logs. We had 160 onsite inspection reports.

Mr. WYDEN. 160 inspection reports?

Mr. GILES. Yes; by six different Forest Service representatives. In January 1984, we hauled logs 18 days and we had 20 onsite inspections.

Mr. WYDEN. What were all of these inspectors inspecting?

Mr. GILES. Just a number of things. They look for snags, they look at the landing layouts, they pick up sticks here. To get the flavor, you should read some. We have had them as ridiculous as kicking the dust off of a sign, because you could not see that it was a warning sign. Some are important, some are needed for the sale to proceed in a normal manner.

I guess that if I get another set down here, we can find a little bit more question as to why they are doing the inspections. But the

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statistics in that particular month, we had $950,000 worth of payment guarantee, and $200,000 of performance guarantee.

So during this time period while we have the bonding in place, so if we screw up and do not follow the contract, the Government is going to get their money. So you either do not need the inspections, or you do not need the bonding. The only winner in the whole program is the bonding company. They have no risk of losing anything, because you cannot do anything more than half a day at a time.

In February and March, we delivered logs in 21 and 20 days respectively. We had $600,000 in February, and $750,000 in payment bonds in March. And both times, we had $200,000 worth or performance bonds. So it continued on in the same way.

A few other facts about the sale. It was appraised by the Forest Service. We have no idea of how many thousands of dollars they spent on the appraisal, but here are a couple of the results. They had estimated 12.8 million board feet on the sale. We removed 8 million board feet.

The original road project cost was $700,000. We spent with all design modifications $940,000. There was a $77,000 error in the original road estimate that they wrote us a letter admitting that the mistake had been made. But because of the underrun in volume and the overrun in the road projects, those become ineffective credits. So there was no way to recapture that mistake that they had admitted to.

And I am sure that many operators could take a sale out of their file, and give you the same sort of testimony. But that is how we have to do business daily with the Government.

Mr. WYDEN. Excuse me. This was an instance where there was not environmental opposition or there was not community opposition, but this was something that your company wished to do, and essentially at every point along the way, the Forest Service basically changed where the lines were, and moved them to either making you do something else, or spend more money, or something of that nature?

Mr. GILES. Very true. This was a routine sale. I guess we looked and tried to identify why we are such bad guys. At that point in time, we were one of few, and I am sure that during this time period that it was the only sale being operated in the ranger district.

We kind of have the feeling that perhaps if we are doing something for you, that we might get favorable treatment rather than this sort of treatment. It is ludicrous.

Mr. WYDEN. This is an incredible picture that you paint.

Mr. GILES. I have a couple of other comments that I would like to make. One is that in the future that the public input process on reviewing the Forest Service plans is a very big problem for small business. Today there are fewer small businesses. We do not have the time and we do not have the assets to review the work that the Forest Service is spending hundreds of millions of dollars in the process.

The best thing that small business can do is minimize its losses. There is absolutely no infrastructure that coordinates industry, the community, the counties, the State governments to do battle with

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that plan. There is no structure at all. Your hearing is an attempt, but where do you take it.

Mr. WYDEN. Have you ever participated in any kind of debate on this?

Mr. GILES. I have survived the last 5 years by working lots of hours a day, and I do not have time to drive to Portland. It is a 5-hour drive up and a 5-hour drive back. We are coming to a position where we will participate more, and I would like to participate more in the work products and raw materials problem.

One other comment that I would like to just mention in passing that is very scary to us. It is the Canadian import problem. And I guess that I would state it very clearly, that the Government gets involved in the Canadian lumber import solution or perceived solution, that the free market will make mincemeat out of that political process that they impose. And the small business, the low cost-efficient producer, will lose.

The ones who will gain are the large asset-based companies that have today poor inefficient conversion equipment.

Mr. WYDEN. So you would be an opponent at this point of the Craig-Weaver legislation?

Mr. GILES. Yes.

Mr. WYDEN. You answered that yes?

Mr. GILES. Yes.

Mr. WYDEN. Well, thank you. I will have some questions in a moment.

[Mr. Giles prepared statement follows:]

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PREPARED STATEMENT OF DOUGLAS L. GILES, PRESIDENT, DOUGLAS PACIFIC LUMBER CO., BANDON, OR

Thank you for the opportunity to testify on the topic of doing business with the government.

I am the owner of Douglas Pacific Lumber Company that is located in Bandon, Oregon. It is a small independent sawmill/planer operation. We produce 50MM bdft. of lumber per year, employ 70 people and create another 70-80 jobs in the woods operation.

Since Douglas Pacific Lumber Company does not have its own fee stumpage, we purchase stumpage from both BLM and USFS. Because our operation uses only a portion of the grade and quality of the stumpage on a particular sale, we process 45 to 50MM bdft/yr. of Government stumpage to supply our sawmill with logs. This requires that we have activity on 3 to 8 or 9 timber sales at any one time. Our office staff for our timber department is 1½ people plus a computer. The timber staff consists of 2 people.

Rather than talk in generalities, I would like to take one timber sale,named Whitten Prairie, and give you some real true experiences in doing business with the Gold Beach Ranger District, Siskiyou National Forest, United States Forest Service, Department of Agriculture. Before going farther, this stack of documents is the file for the Whitten Prairie sale. It contains contracts with the government, our EEOC Plan, EEOC Documentation, Non Substitution documentation, inspection reports, etc.

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The Whitten Prairie timber sale was awarded on December 12, 1982. We began road reconstruction and construction projects during the month of March 1983.

For Douglas Pacific Lumber Company to be a good customer of the USFS, we always try to use the most qualified contractors. In the case of Whitten Prairie, our Road Contractor was Conifer Douglas from Roseburg, Oregon. They build 20 to 25 miles a year of USFS spec roads. The Logger was Huffman & Wright from Canyonville, Oregon, they operate 10 to 13 logging sides at all times. They have logged on many USFS and BLM ranger districts. The trucking was done by Ireland Trucking in Myrtle Creek. They operate 80 to 90 logging trucks.

This is a very financially sound, technically capable trio of contractors that should do the the very best for Douglas Pacific. Lets give a few examples of what happened when it was time to perform.

Having spent $940,000 on the road projects, we were told that the road was not designed for winter haul. Please be aware that during the previous winter, prior to spending $940,000 on the road system, another company hauled 5MM bdft. down this very road. Emotions ran high, as the financial risks to our company became extremely high. First of all we had planned for these logs to source the mill production during the winter and spring. It was far too late to develope another alternative. Secondly, having

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spent this amount of money,we did not have financial resources to develope alternatives. Our strategy to use the very best contractors to minimize such excessive business risks was close to failure. Meetings with the District Ranger, the Forest Supervisor, video tapes of the road, telephone calls and letters from our attorney resolved the problem, and we were allowed to begin logging and hauling.

However, the stage was set for the future;

1) We operated and delivered logs on approximately 180 days beginning in December 1983. We had 160 inspection reports on timber and road projects by six different USFS representatives. In January of 1984 we delivered logs on 18 days, we had 20 onsite inspections. Also we had $950,000 of payment guarantee and $200,000 of performance guarantee during this same month. February and March continued in the same manner; 21 and 20 days of delivering logs, 14 inspections each month with payment guarantees of $604,000, $750,000 respectively and $200,000 performance bonds. With this sort of inspection and/or harassment, the bonding company certainly had very little exposure on the bonds they had out.

A few other facts about the sale are equally revealling; to sell the sale it was appraised by the USFS. We don't know how many thousands of dollars were spent on the appraisal

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but here are the results;

1) USFS volume estimation was 12,800M bdft. Actual volume removed 8,000M bd.ft.
2) Original road project cost $700,000. Actual dollars spent with all design modifications $940,000.
3) There was a $77,000 error in the original road estimate that they wrote a letter admitting to but because of the additional road construction costs and the short fall of volume, the sale went deficit and the $77,000 became ineffective credits.

I'm sure that many operators could give similar testimony of doing business daily with the Government.

An observation about buying raw materials for our sawmill in the future is also very concerning. The USFS has spent a reported $100,000,000 on the 10 year sale program. To date, there is not a final E.I.S. completed, nor a final draft of the plan issued and the word on the street is that the allowable cut will reduce 1,000,000,000 bdft. in Region 6.

The timber industry has an extremely large task in participating and monitoring this planning process. Today there are few firms with less time and assets to participate in this critical planning process. At best industry will do well to minimize its losses.

Today, there is not an infrastructure in place to protect the assets of the timber industry, the jobs they provide and the

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community, county and state economic stability that are dependent upon a dependable, consistent raw material source provided by the Government.

We would like to make a brief statement about Government intervention to reduce the Canadian's market share with a political solution. Any solution that raises end product prices will benefit the large companies with lots of assets but are not efficient producers. Douglas Pacific is an efficient low cost producer that can successfully compete against large U.S. and Canadian firms when conversion costs are the battle field. When end product prices are raised the battle field moves to the size of the asset base.

In conclusion, Douglas Pacific Lumber Company can successfully fight the very frustrating day to day battles with the government. The outcome of the USFS planning process and potential political solutions to the Canadian lumber import problem will definitely test our ingenuity, patience, and management skills.

Mr. WYDEN. Mr. Hampton, we welcome you, and will make a part of the record your entire prepared remarks. And if you would like to highlight some of your concerns, it would be very helpful.

TESTIMONY OF JOHN HAMPTON, PRESIDENT, WILLAMINA LUMBER CO., PORTLAND, OR

Mr. HAMPTON. Thank you. I will certainly do that, Congressman Wyden. I guess that I should refer to you now as Mr. Chairman. It is I think gratifying, Congressman Wyden, to see you here asking questions about small business, and having only recently appeared before you in conjunction with your concern about the Canadian import question.

And I think that it expresses a clear understanding of the importance of the forest projects industry to the State of Oregon, and this morning in particular your concerns about the small business aspects of the problem.

Willamina Lumber Co., of which I am president, has 230 employees, and is a small business, technically classified as a small business. I would say in agreement with Joe McCracken this morning that the national forest planning process is probably our single most important concern, certainly in terms of raw material. Because from two-thirds to three-quarters of our total product cost is our log cost.

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If we fail to capitalize on the productivity of the forest land base in developing forest plans, then we create an artificial shortage totally unnecessarily that forces those of us dependent on the public timber sector to compete even more vigorously for that remaining timber.

As you are aware, the State board of forestry developed a forestry program for Oregon several years ago fundamentally through the work of Dr. Buter at Oregon State, and it was determined that there would be a falldown in the harvest from private lands. It was predictable, it is defensible. There are people who criticize the major integrated companies for harvesting their mature lands and taking the money elsewhere, but they are only doing what is prudent for their stockholders and their investors.

There comes a time when it is appropriate to cut the timber, and by harvesting it to reinvest those proceeds elsewhere for the benefit of their stockholders.

And as a consequence of that developing syndrome, we have had a series of plant closures here in Oregon, and I do not think that we are through with that process yet. And I think that there is somewhat of a phenomenon going on when you can see the more agile, more mobile, more responsive small businesspeople in a position to acquire some of these plants, to start them off, to generate new employment, and to generate profits out of those plants that were of necessity abandoned by some of the larger companies who have redeployed their assets elsewhere and for appropriate reasons.

I am not critical of what they have done. It is only that it demonstrates that the small business sector is vigorous and that it is alive, and that the reports of our death have been badly exaggerated.

I think that our job today should be how to avoid exacerbating the problems that we face. We should be trying to identify what we can do for the State of Oregon, what we can do for the forest industry here to optimize on our opportunities when we have this abundant resource that is available for the use of a wide variety of multiple uses.

What concerns us fundamentally is the change in thrust by the Forest Service in this new planning process that has come out of the National Forest Management Act of 1976. It now appears that the Forest Service believes that it has to address the management of these lands in quite a different way than it has in the past.

And I, for one, am simply not convinced that that is necessary. I do not see the deterioration of vertebrate species in the forest. I see no evidence that we are losing endangered species, and that we have to have massive overkill in terms or providing habitat for them when there is really no scientific evidence to indicate clearly what should be made available to preserve the spotted owl.

And you know, it really makes me wonder, Congressman Wyden, what happens out there when we are doing all of this massive planning and trying to preserve all these species when we have by way of example the red tree vole out there, supposed to be protected as one of the existing vertebrates, being preyed upon by the spotted owl whom we are supposed to be protecting with habitat.

And I am not sure how capable man is of managing all of these forces out there, but I do not see any great deterioration out there

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in terms of what nature is accustomed to doing in the ordinary course of events.

This morning you asked a question of the Forest Service as to what they estimated that the falldown would be, and they were reluctant to answer that question, because the plans are not out.

Mr. WYDEN. They did say, though, that there would be a range of a drop in timber output of between 2 and 5 percent.

Mr. HAMPTON. I do not believe that that was the answer to the question that was asked. I think that the answer in the falldown of 2 to 5 percent is what the falldown would be in what had been harvested in the last number of years.

Mr. WYDEN. That is right.

Mr. HAMPTON. The Forest Service has indicated to us and we have been monitoring the planning process very carefully over the last couple of years. We have a national committee monitoring forest planning broken up into regional committees that monitor what is going on in each region, and participate in discussions with the regional planners clear down to the forest level, down to the ranger district level.

So we are aware of what is going on, and we have been monitoring this process as it has been moving forward in the last couple of years. What they have indicated to us that we should expect in the preliminary plans—and mind you, these preliminary plans are not supposed to be locked in concrete, as they are susceptible to public debate, et cetera—the preliminary indications are a falldown from 15 to 20 percent of the potential that these lands have to contribute.

Now this is what Oregon depends on, what its livelihood depends on, what the economy and the social service system depends on in this State. But because of a change in direction and a change in emphasis, in an attempt of the Forest Service to comply with the regulations of the National Forest Management Act, we have the potential of reducing the output significantly from what they could otherwise be under ordinary, reasonable, and rational management.

Now we will continue to monitor these plans as they come out, and we will provide whatever input that is necessary and which is well founded, not based on subjective opinion, but based on facts, based on evidence, and based on research.

We have recently hired a new wildlife biologist to research the question of the spotted owl for the very reason that so little data is available on that. So we will continue to participate in an attempt to moderate the impacts on this great potential that the national forest system has to offer.

So I do not want to go into details. You have had a very busy morning here. I just want to say that if we go in the direction that we are, we are going to wind up someplace about 4.1 billion feet in the State of Oregon instead of the potential of some 5.4 billion feet which we could otherwise do here.

The industry is concerned about the environment. We are not interested in rampaging around out there in the brush and bashing everything. Our concern is to maintain a balance. And in our opinion, that balance has been reasonably well maintained over the past series of plans. Because we do not see the diminution of the wildlife species out there.

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So let me conclude with a request on the part of your committee to participate in the planning process as well on behalf of your subject matter which is the health and welfare of the small business sector.

Mr. WYDEN. Well said. And that is the point of this hearing, to participate in the planning process. And just a few questions for you gentlemen. You heard Mr. Butruille say earlier this morning that about $100 million is spent on the planning process. And I gather that you feel that even with $100 million that on some important issues they are not gathering accurate information and enough information.

What do you think that they are spending the money on, are they spending the money on things like your 160 inspections, Mr. Giles?

Mr. GILES. I think that from our standpoint that we definitely could not operate a private business in the manner in which they operate their business, as far as goals and what the people do and describe job descriptions—no way.

Mr. HAMPTON. I think, Congressman Wyden, that one of the problems is that the environmental extremists have chosen to sue the Forest Service when it suited their convenience to do it. And the Forest Service is now very gun shy about everything that it is doing. And while it must comply with the law, of course, it appears that there is an oveZreaction on the part of the Forest Service, and that some substantial amounts of money are being spent to provide a defense in terms of doing everything that is possible to try to avoid litigation.

Mr. WYDEN. Is it your understanding that a significant amount of that $100 million for planning does go into litigation then?

Mr. HAMPTON. No; I do not want to suggest that. I am suggesting that a lot of the planning process is designed to put the Forest Service in a position to avoid losing litigation. And of course, they must do a proper job of planning or they will be sued and they will lose. We do not find fault with that. But I am suggesting that there might be some overkill in that area.

I am not familiar with the way that the money is being expended. I can only say that I find it mind boggling that anyone can spend $100 million on planning a year. He said a year this morning.

Mr. WYDEN. That is exactly right. And I am going to look in great detail at the materials that Mr. Butruille agreed to furnish to the subcommittee. Because it is a mind-boggling sum of money given the fact that virtually everyone that I hear from says that they are not gathering enough information, and that somehow we need a process to go out and gather more.

Supposing that we could arrange, and this is kind of a wish situation, where you had the Chief of the Forest Service, and the region 6 people, and officials from your local ranger district, all of the players in this kind of process, and they were sitting with you, and they asked you to name one thing that you would like to see changed, one thing, in the planning process and what we are talking about today, what would it be?

Let me start with you, Mr. Siefken, and if it is the bonding matter, I think that you gave me some very good information on

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that, and I will follow up to see if we can get the SBA to have a meeting with your people. And maybe there is one other thing that you would like to have done.

Mr. SIEFKEN. The bonding and insurance, and the amount of timber that they offer. That is very important, because we rely on this. There are certain areas, and how it's distributed from area to area.

Mr. WYDEN. You would say simply increase the amount?

Mr. SIEFKEN. Yes.

Mr. WYDEN. Mr. Hampton.

Mr. HAMPTON. I would like to hear Max Peterson say to his troops I want to charge you as professionals to deliver under the multiple use in the Sustained Yield Act all of the amenities of the forest while enhancing the output of the commodities. Because it is doable, Congressman Wyden, it is doable, and it is the responsible thing to do.

Mr. WYDEN. It is what Oregonians want.

Mr. HAMPTON. And need.

Mr. WYDEN. What Oregonians want is for the timber businesses to operate and preserve the environment.

Mr. HAMPTON. It is not necessary to trade off one for the other. Those amenities can be enhanced, maintained and enhanced, while still increasing the output of the national forest for timber.

Mr. WYDEN. Mr. Giles, I have a feeling that your request might be to spare you from the $1 million expenditure and 160 inspections.

Mr. GILES. No; we have a little more far-ranged thinking than that. I would agree with Mr. Hampton in the spirit of Max Peterson's directions, but I would probably be a little bit more specific instead of that broad statement in that we are real concerned about the consistency at which the volume is going to be offered as to one, for sale; and two, be sold and harvested.

I think that the industry continuously talks about sale levels, but to me the most important number is the harvest level. And that is the only activity that really creates cash flow. You have got to cut the tree to get the jobs in the woods, in trucking, and in the mills. And the harvest levels are really the most important number as opposed to sale levels.

And as an example following up on the bureaucratic nonsense, Coos Bay and Roseburg BLM has offered some timber sales recently and 25 percent of their annual cut has not been awarded, because it has had nobody qualified. The appraised price was too high and 110 million feet has gone unsold.

Those BLM district offices feel that they have done their job in offering the sale, and they have no feeling of let us get the job done and let us get the sale awarded. Those sales were offered to sale in August, September, and October. We will see some of those 90 days later, and some of them maybe 150 days later again offered to sale, not sold or awarded.

Mr. WYDEN. And this is another routine sale?

Mr. GILES. Well, in part some of them are TEA, which is a new sort of appraisal system that many people can tell you about. The others are just typical sales that the BLM has now responded to

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some criticism on appraisal bid ratios, so they have upped the appraisal rates and they are not selling.

Mr. WYDEN. What percentage, gentlemen, of the timber that you harvest comes from national forest lands?

Mr. GILES. We are approximately 80 percent. The private that we buy comes from G.P., Weyerhaeuser, I.P.

Mr. WYDEN. Mr. Hampton.

Mr. HAMPTON. We harvest about 10 percent, a little less than 10 percent of our own lands. We depend on the national forest and BLM for about 80 percent of our harvest. And it is about 50–50 BLM and Forest Service.

Mr. SIEFKEN. We are 80 or 90 percent.

Mr. WYDEN. Do all of you have enough timber under contract to keep working through the winter?

Mr. HAMPTON. Yes; we have 1 year and 4 months backlog.

Mr. GILES. We have about 1 year's worth of supply.

Mr. SIEFKEN. We are about 1 year.

Mr. WYDEN. Do you know of operators who do not have enough timber and are concerned that they cannot get it?

Mr. HAMPTON. Not in my neighborhood. I think that everybody will make it through this winter.

Mr. GILES. There are in our neighborhood, and these are potential purchasers of the BLM sales that are going no bid. They have made a business decision that I will not buy for volume sake, but I am going to buy if I have profit.

Mr. HAMPTON. That is unique for us.

Mr. WYDEN. Do you think that the matters that we are talking about today like output affects our situation with Canada? We did not choose to talk about Canadian imports today for a couple of reasons. One, it is a matter of such enormity that you have to practically devote a special hearing to that, and I felt that this was a unique area that really ought to be specifically looked at. But I am curious and just for the record in terms of output and price, is this part of the equation of competing with Canada?

Mr. GILES. Very definitely, in our opinion. I think, Representative Wyden, that one of the key factors in today's wood products questions and the problems that we are dealing with is the fact that there is an oversupply of end product. And the only way that the Northwest can be competitive is to have the raw material costs, their labor component, and the transportation component in those marketplaces competitive with whoever the other producer is, whether it is the Canadians, the southern, or wherever they come from.

Mr. HAMPTON. An abundant supply of public timber will mean less severe competition at the bidding table and a more competitive Pacific Northwest industry.

Mr. SIEFKEN. The Jones Act. Something, some day, and some way should be done about the Jones Act.

Mr. WYDEN. Another hearing another day.

Mr. SIEFKEN. I know.

Mr. WYDEN. Just for the record, we have got lots of issues that are before us. The Canadian imports, the tax bill. Many of you know that I have been involved in the capital gains issue, and the reforestation issue, interest rates, budgets.

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But do you share the view of the earlier panel that forest planning, the issue with the Forest Service that we are talking about today is the No. 1 concern of the Oregon industry?

Mr. GILES. Raw materials are 70 percent of our constant sales.

Mr. SIEFKEN. A big portion of it.

Mr. HAMPTON. If you are not competitive, you cannot market in competition with the low-cost producer in the interior B.C. But I think that it is important to qualify that by recognizing that we do need to emphasize marketing, and we are. We are spending the money on that.

Mr. WYDEN. Unless you have anything further, I thank you for your participation.

Mr. HAMPTON. Thank you.

Mr. SIEFKEN. Thank you very much.

Mr. GILES. Thank you.

Mr. WYDEN. And I will be getting back to you on several of those matters. Our next panel is from western Oregon. Mike Burrill, president of Eugene F. Burrill Lumber Co.; and Bill Gregory, president of Gregory Timber Resources; and Bruce Engel, president of WTD Industries; and W.M. (Whitey) Howard, vice president of Seneca Sawmill in Eugene.

Gentlemen, we welcome you, and please come forward. And excuse me, Don Johnson, timber manager, Rough and Ready Lumber Co., Cave Junction, OR. Gentlemen, in the interests of time, if you could summarize your key concerns. We have got about another hour or so. We can have about a half an hour for our two panels each. If you could all summarize your key concerns, we will have a little time for questions. And I will make a part of the record your full and prepared remarks.

Why do we not begin with you, Mr. Engel, unless you have some preferred order, and we will just go right down the line. We welcome you.

TESTIMONY OF BRUCE ENGEL, PRESIDENT, WTD INDUSTRIES, PORTLAND, OR

Mr. ENGEL. Thank you, Congressman. I believe that the reason why I am here today is in part to present to you as one of the new entries in the game and to give you a perspective from our operations as to the problems that you are investigating here. As you know, we entered this industry approximately 3 years ago. Our format has been to acquire and restart previous sawmills.

We now have five such locations in Oregon. And as a result of that, we have been involved with the situation as it exists rather than some of the older problems of the industry such as high-priced timber sales that could not be harvested.

In the course of becoming so involved, we have had to deal with the situation as it exists while many have been grappling with the buy-out programs, et cetera. I want to pass along to you today our observations of the industry without those problems. And quite frankly, what I am here to say to you is that those sitting at this table who must grapple with those old problems not only have my sympathy, but I do not see how in the dickens they can do it.

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As we look at the future of the situation without those problems, it is clear to us that it is one heck of a mess without having to worry about how to harvest old timber sales or pay buy-out plans. I think that the straight fact is that there are none of us, and particularly none who have been around for awhile, who has the resources to do anything other than continue to rely on public timber.

And speaking from our standpoint which is one without having to pay out the previous costs, it is not a pleasant picture. In view of the unrest, and chaos, and uncertainty that exists in the public timber supply, I would be here to tell you that if you wanted to ask me how I saw the future of this industry 1 year from now, I would not even want to bet a nickel.

I am here today to talk to you about two specific instances. We passed up a sheet to you with regard to the sales plan for this coming year on the Siuslaw Forest. It represents a somewhat strange and unexplainable phenomenon of what is going on.

As you know, the Congress, both House and Senate budgeting processes have been clearing the way for more timber sales in region 6 in 1986. I have given you a list that shows the fiscal year 1985 targets, the proposed fiscal year 1986 targets, and the allowable under the existing TM plan.

Now this shows to you, I think, a problem that we cannot explain and that increases our fear about the future. If you look at the Siuslaw Forest, for some unexplained reason notwithstanding increased availability of harvest for the coming year, there has been a significant and substantial drop in the planned sale in that forest.

We have been to the top and to the bottom, and many others have as well, who depend on timber coming off of the Siuslaw Forest. And essentially, we have gotten a next window approach on this matter. The people at the top say that the people at the bottom only asked for this. The people at the bottom say I am new here, and we do not know what this is about. And we have gotten no answers on this.

I want to raise for you some potential problems that I see from my perspective as to why some of these things may be happening. We have heard about the litigation and overreaction to that. We have heard about coming up plans, and what they may do in cutting the volume.

I believe that the Suislaw problem may represent a couple of other factors in this process. The first being that as you may know there was a Mapleton lawsuit, and also Northside was the lead mill in terms of the litigation on the buy out. I think that the industry, and others as well, may have underestimated the Forest Service's reaction to the whole buy-out situation.

It is my view from the remarks that I see around and the reactions that I see around the Forest Service that part of the problem that we are working with is that the Forest Service is just plain mad. They are mad about two things.

First, their sacred timber sale contracts that they sold at auction at too high prices, and every auctioneer likes to get a higher price. It turned out to be not what they thought they were, and they are not very happy about that.

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At the line level, they are also not very happy about the buy-out plan, because it is more work. And we run into that just as a side observer. And I have raised this question before, but I think that may be part of the element here, and it may be worth taking into account in trying to resolve that problem.

The second problem and the only explanation that we can come up with for the numbers on the Siuslaw proposal for the coming year is that we do have indications that that is the number that is going to be proposed in the forest plan for the Siuslaw that is supposed to be finished next spring.

Given the fact that the forest plans are a long way from implementation, and given the fact that there has been budgeted enough funds for a substantial increase in the Siuslaw as in all of the rest of these forests, it does seem a bit curious that it should happen that the volume now proposed for the Siuslaw for the coming year matches what we know about the upcoming forest plan more than any other factor.

In any event, it is a problem worth looking at, because it represents a unique feature. If you will look down the list of numbers, you will see that the direction is decidedly backward in the Siuslaw for next year, whereas it is upward in all of the other areas.

One other specific item that I wanted to bring to your attention in the course of how the Forest Service operates and how money is being spent and how time is being spent is that in the course of taking over one of our defunct mill operations, we have on occasion worked with bonding companies and others as consultants on disposing of the old timber sales.

In particular at Philmath, we came across a situation where there was a sale with a substantial volume of down timber on the ground that had been on the ground for more than 2 years as a result of the failure of this company. In conjunction with the bonding company involved on the old sales, we negotiated with the Forest Service to waive the penalty scale on the removal of that timber, so that the timber could be removed and everybody's losses could be cut, the bonding company included.

The local forest supervisor indicated an agreement with us and confirmed it that, yes, they would waive the penalty scale. The harvest was completed. And approximately 1 year later, the Forest Service came back to the bonding company, actually the old company, with a bill for $143,000 more on the sale. And the explanation was that somebody up above had looked at that and decided that the forester involved did not have the authority to make this agreement, and therefore would you please fork over $143,000.

The bonding company, of course, was not excited about doing that, and the matter has sat for approximately another year as the Forest Service is obviously a little embarrassed about the situation on the local level.

Now of course comes the buy out, and another lever is added to the machine. And it is our understanding that now the Forest Service position is since the bonding company wants to participate in buying out and get its bonding out, et cetera, and to submit a plan or to see that a plan is submitted on these sales, and that one is to be included, that it will not be allowed unless the $143,000 is paid.

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Now this kind of thing indicates one of the problems that you are looking at, and may also indicate one of the problems that I am raising, and that is that the Forest Service is just plain sick and tired of this thing and mad at the industry in general. But in any event, it appears to me as a former lawyer that this is not the kind of stuff that people ought to be spending their time on, and certainly not appropriate for the Forest Service to take that kind of position.

Those are the specific things that I wanted to cover today, and I would be happy to answer any questions.

Mr. WYDEN. Let us go right down the line.

TESTIMONY OF BILL GREGORY, PRESIDENT, GREGORY TIMBER RESOURCES, BEAVERTON, OR

Mr. GREGORY. My name is Bill Gregory, and we have mills in Glendale, OR and Sima Falls, and we employ about 450 people. If you are looking for some bureaucracy things and bureaucratic things that we can sink our teeth in, I will give you one.

Our major timber supplier is the BLM, the Bedford district. They are not awarding sales and they are not making sales. We have had some sales that we bid on over 1 year ago. We have cash up on those sales, and they have not been awarded.

The reason initially was that they were protested by environmentalists. In desperation, as we need that timber to keep our mill going and we have laid off a road building crew because we have not got those sales, and it is important to us as we may not have enough logs to operate this winter if we do not get those sales awarded, we talked to the environmentalists in desperation to say, look, why are you such bad guys, why do you not take a look at these sales, I do not think that you ought to be protesting them.

They agreed and they lifted the protest, and we still cannot get the sales awarded. Somebody is stalling along the way, and we need some action done very fast in that area.

The other problem that I want to talk about is freight rates. And we are a captive shipper on the Southern Pacific. The contracts that they have given to competitors have been very difficult for us to live with. We feel that contract confidentiality is one of the problems. Presumably under the Staggers Act, we should not be penalized with the freight differential or discriminatory rates, but how in the heck do we find out whether we are being discriminated against if the contracts are confidential.

Mr. WYDEN. Very good.

TESTIMONY OF MICHAEL E. BURRILL, PRESIDENT, EUGENE F. BURRILL LUMBER CO., MEDFORD, OR

Mr. BURRILL. We want to thank you, Congressman Wyden, for coming to Portland today and listening to some of our concerns. My name is Mike Burrill, president of Burrill Lumber Co. located in Medford. We have been in business some 40 years, and I am the second generation involved in the company. I have three sons who are interested in becoming the third generation.

In talking about the change and the things that we need to become involved in, I think back to some of the comments that my

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father makes about how he used to be able to run everything by himself, and wonders why it is that I have to have so many people involved in the process of handling the paperwork and the decision-making that we have in the business today. Things have changed.

I was somewhat appalled this morning when the Forest Service was talking about their expenditures on planning, and the fact that they are spending according to what they said $100 million per year, and that this has gone on for 10 years. Simple mathematics says that is $1 billion, and we have nothing to show for it.

Those of us who are talking to you this morning are from a portion of the forest products industry that is made up of small companies and independent companies. And as you have looked at what is happening in the forest products industry, I am sure that you have noticed that the larger companies are curtailing and the larger companies are leaving the Northwest. And those of us who are talking to you today and a few others are going to be the industry for the next decade or more.

We are the ones who are going to have to face the problems. We cannot leave, we are here, this is our home. You asked about some of the impact of the cutbacks in timber, the reduced receipts, and I wanted to share three quick ones with you in the area where I live. I live in Jackson County.

Outside of the cities of Jackson County in law enforcement in 1984 for a period of time, we had one law enforcement officer that served the entire county outside of the cities during the nighttime hours from something like midnight to 5 a.m. in the morning, one law enforcement officer. He happened to be a State police officer.

The schools in the Medford area have recently been losing their budgets as they have throughout the State. About 2 weeks ago because the budget was voted down, they did away with busing. They are now transporting some 4,000 kids to school by cars, and some of them are traveling 40 to 50 miles.

Quickly as I go on, I think about some of the ways that the Forest Service is solving some of their problems through the use of what they call consensus groups. One of them that interests us the most is the process of sitting down around a table and holding hands, so that you get this energy flow around to make sure that everybody is thinking about working together.

I want you to realize that we are not asking you or anybody in Government to solve all of our problems. Any time we are in business, that is part of the process of being in business, that is to handle your problems. But there are some things that are happening in the Northwest, especially in Oregon, that really go beyond what we can handle by ourselves, and that is where we need your cooperation, and your interest, and your help.

The main portion of what I want to say today has to do with railroads and shipping. Our company historically has moved over 70 percent of our production into the markets of the Northeast, and today we are down to less than 50 percent.

We testified before you, Congressman, back in February, I believe it was, about some of our concerns at that time. And some of the things that have taken place since then have made the problem somewhat more severe, and our concerns are probably even more today than they were at that time.

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You have asked questions about the Canadian impact. And if you look at that and if you look at what is happening in rail rates. After we talked to you in February, the Southern Pacific Railroad put together some special contracts for moving Canadian lumber into southern California that allowed them to ship their lumber to the markets that those of us in Oregon were enjoying at rates far less than what we were.

We were being knocked out of those markets. That came after your hearings. After a great deal of screaming by the industry, they withdrew the contracts, and said that it was a big mistake, that they really did not mean to do it. Well, I do not understand how that can happen.

The railroads are doing some interesting things. When we talk about competitive access, it used to be when you got mad at the railroad and wanted to make some changes, that you could short-haul them, that you could move your product to Portland and put it on somebody else, and give Southern Pacific a short haul, and thereby reduce their revenue, and maybe you would be able to get some changes.

We cannot do that anymore. They do not allow that transfer. We have to go East to what they call gateways that allow us to transfer at those gateways, and there are only a few places to do it. So they have you locked in.

One of the people in the industry that I have talked to in the last couple of days tells of an instance where they are served by two railroads, but the railroads carefully have decided what products they are going to haul individually. And the railroad that does not want to haul that product sets their rate very, very high for that given product where the one who is willing to take it then has theirs a little bit less. But there is no competition there even though there are two railroads. Many of us are on a single railroad, and we have no other options.

We would urge that you and the members of your committee consider our problems. We have talked about many of them from timber supply, from production costs, from insurance and bonding, transpkrtation. And realize that we are jot here expectijg ajything that we should jot expect, but we do not like being taken advantage of. And all we want to do is to be given the opportunity to survive and to be a strong economic force in the State of Oregon. Thank you.

Mr. WYDEN. Well said. Let us just move along.

[Mr. Burrill's prepared statement follows:]

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PREPARED STATEMENT OF MICHAEL E. BURRILL, PRESIDENT, EUGENE F. BURRILL LUMBER CO., MEDFORD, OR

My name is Michael Burrill and I am the President of Eugene F. Burrill Lumber Co. located in Medford, Oregon. We have been in business in Jackson County for approximately 40 years. The company was founded by my father which makes me second generation. I have three sons who at this point express interest in establishing the third generation of family ownership and operation.

We are here today to share with you and the members of the subcommittee our concerns as to the continued successful operation of small business in the forest products industry.

Our problems center around three areas which include:

(1) Timber Supply
(2) Operational and Manufacturing Costs
(3) Marketing and Transportation.

You will hear from others concerning problems other than marketing and transportation. I will try to keep my comments to these areas only.

The marketing of Western lumber into the Eastern markets has become more difficult with each passing year. Our company is one of the few who still ship a substantial volume to the East. We used to ship about 70% of our production east which has now decreased to less than 50%. The primary problem that has led to this decline is transportation costs and the influx of Canadian lumber. Competition is a part of our life but what disturbs us is unfair competition that gets it's advantages through subsidized timber and transportation as is evidenced through the Canadian market situation. The transportation problems that have come about since the Staggers Act was implemented are also presenting us with a serious situation.

Congressman Wyden held hearings in Portland in February of this year to hear testimony as to the Staggers Act. We expressed at that time our concerns and hoped that the situation would improve.

I want you to know that even at this date, we are still having serious problems with the Staggers Act and the way it is being interpreted by both the ICC and the Railroads.

A comprehensive review of the section of the Staggers Act dealing with Contract Disclosure and Competitive Access is necessary. We feel questions should be raised as to allowing the railroads the right to grant contacts to any shipper of lumber and plywood. This industry is extremely competitive and to allow special priviledges to a few is unfair.

We urge you and the members of your subcommittee to consider these problems and come to the aid of the small businesses in the forest products industry.

Thank you for your interest and for holding these hearings today.

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TESTIMONY OF DON JOHNSON, TIMBER MANAGER, ROUGH AND READY TIMBER CO, CAVE JUNCTION, OR

Mr. JOHNSON. I am Don Johnson, and I am timber manager for Rough and Ready out of Cave Junction, OR. Rough and Ready is owned by three brothers, third generation. They hire about 200 people. It is a sawmill, and puts out about 65 million feet of lumber a year. And we are about in the 90 percent dependency on Federal timber.

We buy out of the Klamath Forest which is in region 5 in California, and also region 6, and the BLM in Medford.

Without conferring with any of my constituents here, I was trying to think of the most critical thing that I would like to talk about, and it has all been talked about primarily. Number one, a reliable consistent supply of timber. That is our whole life story.

Number two is an economic climate that allows us to compete with other regions and other countries. And I do not know that I am even asking for that. I think that we should demand it frankly. Our history has been since the 1930's when somebody called the Forest Service said we are going to sell timber here in this little Illinois valley, and we would like some employment, so why do you guys not come in and build a mill.

So a few did. And they sold out, and some went broke, and some survived, and the timber kept being sold. And now we are locked into some pretty sophisticated equipment and very heavy investments, millions and millions of bucks. People have got it right on the line. They are not going to go anywhere else, they are there, they are rooted to the ground.

I do not think that it is out of line for us to demand and expect a continuation of our raw material availability, and I do not see it happening. I think that there are a lot of things that we have talked about today that industry probably has been a little derelict in as far as working with the bureaucracy and the agencies to maybe control, massage, and manage some of the regulations. I think that we could do a better job there.

But I do not see us getting anywhere on this availability of timber. I think that we are babes in the woods. We have lost every battle, and we need help. Mike Burrill mentioned this consensus building. One of the problems as I see that is happening and why it is happening with our bureaucracy is the system moves people around within the agencies. You have new supervisors, regional officers, and they are always coming and they are always going.

The mills stay there, and we, whatever you want to call it, train them as they come on. And as they leave, we pick up new ones, and we train them. There is a sense of history lost in that method in my view with the agencies. Every fellow coming on line, a supervisor, or an officer, or the head of the BLM, they have somebody confronting him with opposite views. The environmentalists want something, the industry wants something, and somebody else wants something. So what does he do, compromise, consensus building.

To me, it is a copout. He has lost the sense, he had not picked up this past history of what has gone on before. All of this withdrawal, all of the things that are happening, the where-to process that we are told is going to solve everything has not.

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To me, that is one of the big causes of why we keep going through this thing again and again. And it even gets to the political scene. Somebody says, well, we have got to do something here, so let us compromise, let us have a couple more million acres of wilderness. And everybody will be not all happy, but we will get over that hurdle. And then the next guy comes along and does the same thing.

Well, I think that we are about up against the wall, and I think that it is time to start looking at the big picture here, and stop some of this stuff. The Western Timber Association is a group out of California. Just an observation on wilderness in the big picture. A fellow by the name of James Crain works for them. I do not know if you know him.

Anyway the perception from the American Forest Institute is that our Nation has dedicated 255 million acres to parks and wilderness. This is an area larger than the combined areas of Norway, Sweden, Denmark, Austria, Switzerland, Holland, Belgium, and Israel.

The Western Timber Association further determined that the 8 countries support a permanent population of 60 million people. Our parks and wilderness areas support a permanent human population of zero. That is just food for thought. I think that perhaps we ought to start looking at the big picture here.

The Siskiyou Forest which we work heavily in right now has 45 percent of its land base as a wilderness, and there is more coming. There is a big controversy for more. I do not know how we are going to end it. And that is why I think we do need somebody's help, a benevolent Government or somebody, to get us out of this mess that we are in.

Mr. WYDEN. We thank you, Mr. Johnson.

Mr. Howard, we welcome you as well.

TESTIMONY OF W.M. [WHITEY] HOWARD, VICE PRESIDENT, SENECA SAWMILL, EUGENE, OR

Mr. HOWARD. Thank you, Congressman, for the opportunity to be here. I will try to be brief. There has been a whole bunch of examples of various things that are required for the success of small business and the wood industry in western Oregon. Number one is a stable timber base. Today that happens to be forest planning on the Forest Service. I would like to say that it is about time for the Congress to take a look at who is administering these lands, and take a look at the results. I would say to you outright that the chief operating officer of the Forest Service should be accountable for his performance.

You talk about I do not care if it is $100 million of planning for 10 years. I do not care if it is failure to provide EIS' that will withstand NEPA law which has been law for 15 years. Someplace there ought to be some accountability between the administration and the Congress with the Forest Service.

Let us take the recent act of the Congress last year on the Timber Modification Act. That act required action by the Forest Service in 90 days. We are 1 year late. That act also required that bidder responsibility be made to try to prevent a repeat of the dis-

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aster of 1979. Today, 1 year later, not one action has been taken. It only requires 30 day publication in the Federal Register to augment the action. It is not that complicated, and it does not take a lot of money. And yet we are not seeing performance.

Congressman Wyden, the Forest Service is not performing in a satisfactory manner.

Mr. WYDEN. That is a perfect thing to conclude on.

What steps by way of accountability do you think that we ought to try to push, for some new people, or for new procedures? I would start with you, Mr. Howard.

Mr. HOWARD. You bet, I would be delighted to answer. I think that the historical performance of an in-house bureaucrat taking the job as chief has to be examined. I do not think that we are getting administrators out of that body. You probably will not like it, but I would like to see a Dave Stockman type in there for a year frankly.

We have a problem ahead of us on timber supply having to do with cost/benefit timber sales. I do not see the ability in the Forest Service to tackle that question which may well result in a reduced timber supply.

I do not believe that it is personnel, and I do not think that it is funding. And that is why I am suggesting to you that you need to look perhaps at the system of how it is being run, that perhaps the time has come for the historic practice of the bureaucrat running the agency should be examined very strongly, and be made accountable. I do not think that it is being accountable even to Congress. It certainly was not accountable in terms of time, on the bill that you passed last October.

Mr. WYDEN. That is right, that is absolutely right.

Are there other thoughts and suggestions on the accountability question which I think is important and one that we really have not addressed a great deal? Mr. Engel.

Mr. ENGEL. I would like to add to what Mr. Howard has said. I remember a year ago, I guess that it was at the WIFA convention, Mr. Sherman got up and said that they were going to plan on selling less timber, because they felt that there were a lot of people getting out of the industry.

And both, as someone who has come into this industry in the wake of that and as someone who reads the daily statistics that show that our production is basically as high as it has ever been, I raise the question as to whether or not those people are doing their job. He should know better than that. He should have had basic facts in front of him that would have indicated that that simply is not true.

And yet we may be facing a deterioration in the allowable cut of timber, because people like that who are on top of that organization are traveling under totally false pretenses.

Mr. BURRILL. Mr. Engel made a comment during his comments there that he felt that some of the people in the agency were upset about the timber relief bill and what took place. Shortly after, in fact it was last summer, there were some newspaper articles that came out that the Forest Service was planning to lay off a tremendous number of people, and I do not remember the numbers of people now.

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Their justification for terminating these people had to do with the fact that we had a contract relief bill, and these people were not going to be needed for a period of time. Can you imagine the morale problems from making statements like that, and what those people are going to do. Look at the bunch of paperwork that Mr. Giles had up here. They are going to do everything to try to preserve their jobs, and it is not right.

Mr. WYDEN. That was one other area that we had been thinking about. And maybe you would like to furnish this for the record, some suggestions on how we could cut down the paperwork in the timber sales. We hear continually about this. But let me leave the record open for 10 days on this point. And if you would give us, unless some of you have some thoughts on it now, if you could give us some concrete ideas on this, this is again something that seems to me that all reasonable people have got to be sympathetic with.

This is not a tree against the owl kind of question. I mean nobody that I know of is in favor of irrational paperwork requirements. Let us leave the record open on that. And if you could within the next 10 days or so get to us some information on that, that would be helpful.

Gentlemen, in the interest of time, I am going to excuse you. Otherwise, I have a lot more questions. And I thank you for your participation.

Our next panel is from eastern Oregon. Rob Ellingson from Ellingson Lumber Co. in Baker, OR; and Ted Turner, general manager of Snow Mountain Pine Lumber, Hines, OR. Gentlemen, we will make a copy of your remarks a part of our hearing record in their entirety. And if you could summarize your key concerns just in the interest of time, that would be very helpful.

Mr. ELLINGSON. Would you like a copy of this?

Mr. WYDEN. I think that we will make that part of the record. And just because time is short, if you could just highlight some of your key concerns. We will put that into the record in its complete form.

TESTIMONY OF ROBERT P. ELLINGSON III, VICE PRESIDENT AND GENERAL MANAGER, ELLINGSON LUMBER CO., AND ELLINGSON TIMBER CO., BAKER, OR

Mr. ELLINGSON. My name is Rob Ellingson, and I am vice president and general manager of Ellingson Lumber Co., and Ellingson Timber Co., in Baker, OR. Baker County has 15,000 people, the city of Baker has 10,000 people, and the population is declining.

Mr. WYDEN. It is a great town with a good senior citizens program.

Mr. ELLINGSON. Yes; it is. I spend as little time in Portland as I possibly have to, needless to say. At any rate, we depend on the national forests for 90 percent of our saw timber. The remaining 10 percent comes from private lands. We have no real BLM inventory available to us in our area.

My plea is for more timber. We have a timber shortage in our area, because of what I think is a flawed inventory on the Wallowa-Whitman National Forest. We have traditionally had a 200-million-foot annual sale program on the Wallowa-Whitman Na-

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tional Forest up until the early 1980's. As far as the gross figure is concerned, that remains the same. The problem is that now approximately 25 percent of that material is dead and is useful only as chips. That leaves approximately 150 million feet of what we refer to as round and sound.

Of that, approximately 30 percent is Ponderosa pine. In our area, the mills are primarily designed to cut Ponderosa pine timber. It is a high quality wood, and it has a market value considerably higher than the associated species. I refer to the associated species as Douglas fir, white fir, western larch, and Engleman spruce.

Some of the mills in our area have chosen not to process any logs other than Ponderosa pine. Needless to say, that puts an undue strain on what little inventory of Ponderosa pine there is in the sale program.

Our company has taken the position that we will cut all of the species that are made available to us in eastern Oregon. However, at this point in time, we cannot survive exlusively on the associated species. The quality of this timber is such that we are not able to get the market items out of the Douglas fir that for instance they are able to on the coast. The trees are of a lower quality, and as a result the market products are of a lower value.

Even though we have tried to modify our operations so that we can process the associated species, we cannot live on them entirely. My annual volume through my sawmill is 60 million feet. Of that, I would like to have 30 million feet to 35 million feet of Ponderosa pine.

The Wallowa-Whitman National Forest last year in their sale program proposed to sell 54 million feet of Ponderosa pine. In actuality, they only sold 39. Of that 39 million, I was only able to buy 11 million. I have to be prudent in my bidding as I have only one facility with which to carry our entire operation.

My biggest competitor is a publicly owned company that has two sawmills, one particle board plant, one plywood plant, and a stud mill in their northeastern Oregon complex with which to make a profit. If one entity loses, there is usually enough in the others to buoy up the loss.

In 1984, we had the Oregon wilderness bill. The Oregon constituents pushed through what they thought was a good bill. And I think that in all honesty they felt that once that bill went through, the problems of wilderness hopefully would be over. That was far from the truth.

We had 400,000 acres of wilderness in the Wallowa-Whitman National Forest prior to that. Now we have another 111,000. We also have 390,000 acres in the Hell's Canyon National Recreation Area. That comprises almost 50 percent of the land base of the Wallowa-Whitman National Forest.

In addition, we now have wildlife restrictions on a number of 100,000 acres which will restrict the timber harvest even more. Recently, Senator Packwood was quoted in the Oregonian as being very disappointed in the way that the logging and management was taking place on the Hell's Canyon National Recreation Area and that he would push for further restrictions.

Now you have to bear in mind that there is only logging on 17 percent of that 390,000 acres, and now he is going to restrict that

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even more. That does not affect me in that I do not buy sales on the Hell's Canyon National Recreation Area, but my main competitor does. If he cannot buy sales in the Hell's Canyon National Recreation Area and up in that portion of the Wallowa-Whitman, then he will be in my backyard, bidding against me.

I cannot compete against him. I have to make a profit. At the prices that he is paying for timber sales, I question whether he is making a profit, at least in the sawmill.

Although we have already talked about Canadian lumber, that is one of the reasons that I cannot profitably process associated species, because of the glut of Canadian lumber in our marketplace. An anecdote that I might add here is that I had the opportunity to attend a seminar with some Canadians not too long ago. We were talking as you do about production capacities and production levels in our mills.

The man told me that they were running their mill at three shifts, 24 hours a day. And of course, the more product you put out, theoretically the higher your profit is. So I asked him, are you doing that to make a profit, or are you running three shifts to break even. And he says:

> Oh, no; we are making money on two shifts, but we have to run three shifts now so that we can cut all of the timber in our allocation this year, or we will not get as much next year.

That is the problem that we are up against up. They have increased their production not just to make money, but to make more money.

In closing, as I said before, the economy in Baker and of northeastern Oregon is extremely fragile at this point in time. The cattle business obviously is not good, and now unfortunately the lumber business is not either. Just recently, the only farm implement dealer in Baker closed. There was a cut stock plant built in Baker 2 years ago, about a $6 million plant. UDAG was involved and the FHA was involved. It closed its doors 1 month ago.

There are about 90 people out of work as a result of that, and the implement dealer put 10 people out of work. The problem is that the people in my community are in a state of panic. If the next thing that happens is that I cannot make it, then basically the community dries up. I am the largest private employer in the community with 175 employees, and we have a $5.5 million annual payroll. This does not count the 50 or 60 loggers and the 40 truckdrivers that also are interconnected. I am second only to the Forest Service in employees and they are the largest employer in the county.

Representative Wyden, I appreciate the opportunity to come and speak with you. It certainly is nice to know that somebody is thinking about us.

[Mr. Ellingson's prepared statement, with attachments, follow:]

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PREPARED STATEMENT OF ROBERT P. ELLINGSON III, VICE PRESIDENT AND GENERAL MANAGER, ELLINGSON LUMBER CO., AND ELLINGSON TIMBER CO., BAKER, OR

RE: The Problem of Inadequate Timber Volumes Available For Harvest on the National Forests in Northeastern Oregon

Dear Congressman Wyden:

I am Rob Ellingson, General Manager of Ellingson Lumber Co. and Ellingson Timber Co., of Baker, Oregon. I appreciate the opportunity to speak to you concerning a matter of grave importance to our companies and the communities of Baker County.

We manufacture both lumber and particleboard in Baker. Approximately 90 percent of the logs we utilize are harvested from the National Forests' lands. The majority of the logs for our manufacturing facilities are obtained from the Wallowa-Whitman National Forest, but we also conduct harvesting operations on the Malheur National Forest as well. We are the largest private employer in Baker, with 175 employees. The largest employer is the Federal government, with the primary concentration being in the U.S. Forest Service.

Our sawmill was designed primarily for Ponderosa Pine timber. I have attached Exhibits 1 through 3 showing the

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proposed sale programs for the Northeast Oregon National Forests. You will note that the Ponderosa Pine available for sale on the Wallowa-Whitman is decreasing. As a point of information, the associated species that I refer to are Douglas Fir, White Fir, Western Larch, and Engelmann Spruce.

What this amounts to is that all, or a portion, of the operators on these forests are having to convert mechanically so that they can process the associated species more efficiently. We have no problem with this and are willing to do so but the economic chaos of the last four years has exhausted what few reserves we had. Financing is available but when we have to put our product in competition with those of the subsidized Canadian forest products industry, it makes it impossible to survive. The Canadian government will do anything to assist their forest products industry. Our government seems to do just the opposite.

Special interest groups have succeeded in removing much of our prime growing land and timber inventory from multiple use. The Oregon Wilderness Bill added 111,000 acres to the 400,000 acres that were already in place on the Wallowa-Whitman. This was an increase of 25 percent. That will not change and we are all having to adjust.

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With the passage of the Wilderness Bill, we thought that the preservationists' pressure would subside. It is just the opposite. Groups in our area are still attempting to affect road closures and block the sale and harvest of more government timber. Now they are working under the guise of saving and restoring elk and wild life habitat. The Oregon Congressional Delegation may have believed that the wilderness controversy would end with the passage of their Wilderness Bill but that was far from the truth.

When we complain to the Forest Service about the shortage of timber in their sale program, their reply is that "we are selling almost as much as we always have." In total numbers, they are reasonably correct. The problem is that they are not selling an adequate amount of quality timber, that being Ponderosa Pine. They instead have increased the volume of associated species and cull material. The cull timber is especially inappropriate now when we have not been able to deliver our existing residual chip volumes to our suppliers because of the poor pulp and paper markets.

We process 60 million board feet of logs annually. In 1979, 95 percent of our production was Ponderosa Pine. Last year, it amounted to only 70 percent due to the lack of pine available. I was only able to buy 11 million feet

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on the Wallowa-Whitman National Forest, which means the remainder came from private lands and other sales that we had under contract. The outlook for this year is much the same as last, with a very small amount of pine available to us.

We have just completed a $3.5 million remodeling project in our sawmill, which will decrease our timber requirements by 10 to 15 percent. It will also allow us to better process the associated species. However, we cannot survive without a certain volume of Ponderosa Pine in the marketplace today. The effect of the huge volume of Canadian lumber is too great. Some of my competitors in Northeastern Oregon refuse to process associated species in their sawmills. With the market as it is, they apparently feel that they can only survive on a 100 percent Ponderosa Pine program. This creates undue demand for the declining pine volume available in the Forest Service Sale Program.

My largest competitor has two sawmills, a plywood plant, a particleboard plant, and a stud mill in their Northeastern Oregon complex. They are publicly held and reportedly have lost a number of million dollars annually in their wood products division for the last four or five years. Nevertheless, they continue to operate and bid unrealistic prices for Ponderosa Pine. They are buying pine sales that are 150

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miles from their mills and out bidding the local mills located only 20 miles from the sales.

I cannot out bid operators who pay unrealistic prices for timber. We are a small company with a single operation and cannot operate at a loss. The only way to resolve this is for the Forest Service to increase the volume of Ponderosa Pine in their sales program.

I have included an estimate of the annual saw timber requirements of all Northeaster Oregon mills as Exhibit 4. It indicates a total mill requirement of 681 million board feet compared to the combined sale program volume available of 507 million board feet. This leaves a short fall of 174 million board feet to be obtained from private lands and existing timber sale contracts. It is obvious that this cannot go on indefinitely.

We are a major employer in Baker County with a payroll of $5.5 million annually. At this time, the entire economy of Northeastern Oregon is extremely fragile. In Baker alone, we have recently lost our only farm implement dealer, a concrete batch plant, and a lumber cut stock plant that was constructed only two years ago. Any additional loss of employment is going to be devastating. If we cannot operate our mill, the town will lose our employment as well as the excess Forest Service personnel that will no longer be needed Even with the most efficient machinery and equipment available, if we cannot buy quality timber, we cannot compete in today's market.

I appreciate your concern and the fact that you have taken the time to meet with us today. Please call on me if there is any further information you need or questions you may have.

Yours Very Truly,

ELLINGSON LUMBER CO.
ELLINGSON LUMBER CO.

Robert P. Ellingson III
Vice President and General Manager

RPE/sac
Attachments

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EXHIBIT 1

ACTUAL SALES PROGRAM - WALLOWA-WHITMAN NATIONAL FOREST

1980 - 1984

(All Figures are 1,000 Bd. Ft.)

YEAR	PP		ASSOC.		GREEN	LPP/CULL	TOTAL
1980	42.25	58%	30.79	42%	73.04	92.75*	165.79
1981	89.87	45%	112.53	55%	202.4	43.55	245.95
1982	44.78	35%	85.51	65%	130.29	75.83	206.12
1983	48.78	39%	77.65	45%	126.43	45.68	172.11
1984	55.11	43%	73.93	57%	129.04	47.96	177.00
TOTALS	280.79	42%	380.41	58%	661.2	305.77	966.97

* Includes 27.90 Cull Volume

PROPOSED SALES PROGRAM - WALLOWA-WHITMAN NATIONAL FOREST

1985 - 1988

YEAR	PP		ASSOC.		GREEN	LPP/CULL	TOTAL
1985	~~54.6~~ Actual 39.9	34%	103.9	66%	~~158.5~~ 143.5	59.4	~~217.9~~ 203.2
1986	46.9	28%	123.8	73.1%	170.7	53.1	223.8
1987	34.3	23%	114.6	77%	148.9	45.2	194.1
1988	50.4	31%	109.9	69%	160.3	37.5	197.8
TOTALS	186.2	30%	441.3	70%	627.5	186.0	813.5

1978 STANDING INVENTORY
(Of Questionable Validity)

PP	-----	27%
ASSOC.	-----	70.5%
LPP	-----	2.5%

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EXHIBIT 1

ACTUAL SALES PROGRAM - MALHEUR NATIONAL FOREST

1980 - 1984

(All Figures are 1,000 Bd. Ft.)

YEAR	PP		ASSOC.		GREEN	LPP	TOTAL
1980	146.81	76%	45.92	24%	192.73	30.43	223.16
1981	128.05	72%	49.33	28%	177.38	28.59	205.97
1982	130.23	81%	30.47	19%	160.7	16.11	176.90
1983	153.49	82%	34.08	18%	187.57	3.17	190.74
1984	161.74	86%	61.50	14%	223.24	8.43	231.66
TOTALS	720.32	78%	221.30	22%	941.62	86.73	1,028.43

PROPOSED SALES PROGRAM - 1985-1988

YEAR	PP		ASSOC.		GREEN	LPP	TOTAL
1985	118.46 (149.90)	73% 68%	43.08 (55.35)	27% 25%	162.35 (205.00)	16.26 (16.26)	177.80 (220.00)*
1986	145.57	64%	82.03	36%	227.6	3.3	230.90
1987	152.81	64%	83.49	35%	236.3	5.6	241.90
1988	158.26	64%	90.42	36%	248.68	6.2	254.70
TOTALS	573.10	66%	299.02	34%	874.93	31.36	905.30

* Adjusted upward after initial sale program was announced.

1979 STANDING INVENTORY

PP	-----	55.9%
ASSOC.	-----	42.7%
LPP	-----	1.4%

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EXHIBIT 3

ACTUAL SALES PROGRAM - UMATILLA NATIONAL FOREST

1981 - 1984

(All Figures are 1,000 Bd. Ft.)

YEAR	PP		ASSOC.		GREEN	LPP	TOTAL
1981	34.5	24%	109.9	76%	144.4	6.7	151.1
1982	25.5	33%	51.9	67%	77.4	16.2	93.6
1983	16.9	20%	67.8	80%	84.7	0.3	85.0
1984	3.8	6%	64.9	94%	68.7	---	68.7
TOTALS	80.7	22%	294.5	80%	375.2	23.2	398.4

PROPOSED SALES PROGRAM - 1985-1988

YEAR	PP		ASSOC.		GREEN	LPP	TOTAL
1985	32.5	34%	63.4	66%	95.9	1.8	97.7
1986	25.7	24%	83.0	76%	108.7	1.1	109.8
1987	20.7	26%	83.9	74%	104.6	5.9	110.5
1988	25.7	20%	101.6	80%	127.3	4.4	131.7
TOTALS	104.6	24%	331.9	76%	436.5	13.2	449.7

1978 STANDING INVENTORY

PP	-----	17%
ASSOC.	-----	84%
LPP	-----	2%

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EXHIBIT 4

ESTIMATED ANNUAL TIMBER REQUIREMENTS - NORTHEASTERN OREGON MILLS

OCTOBER 1985

(All Figures are 1,000,000 Board Feet)

County	Owner/Type	Timber Requirements
UMATILLA		
Pendleton	Harris Pine (Sawmill)	13
Pilot Rock	Louisiana-Pacific (Sawmill)	20
Rieth	Blue Mountain Forest Products (Sawmill)	30
Umatilla	Forest Recovery (Chip Mill)	15 LPP/Cull
Umatilla	Precision Wood Products (Sawmill)	4
Pilot Rock	U.S. Gypsum (Composition Products)	30 LPP/Cull
	Total	67 Green/45 Cull
MORROW		
Heppner	Kinzua (Sawmill)	35
Heppner	Kinzua (Sawmill)	35 LPP/Cull
	Total	35 Green/35 Cull
GRANT		
John Day	Hudspeth (Sawmill)	(40) Down
John Day	John Day Lumber Co. (Sawmill)	36
John Day	John Day Lumber Co. (Veneer)	17
John Day	Malheur Lumber Co. (Sawmill)	30
Prairie City	Prairie Wood Products (Sawmill)	50
Long Creek	Blue Mountain Forest Products (Sawmill)	30
	Total	163 Green
HARNEY		
Hines	Snow Mountain Pine (Sawmill)	115
	Total	115 Green
BAKER		
Baker	Ellingson Lumber Co. (Sawmill)	50
Baker	Ellingson Lumber Co. (Veneer)	(30) Down
	Total	50

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Exhibit 4
Estimated Annual Timber Requirements - Northeastern Oregon Mills
October 1985
Page 2

County	Owner/Type	Timber Requirements
WALLOWA		
Joseph	Boise Cascade (Sawmill)	31
Joseph	Joseph Log Homes (Mix)	3 LPP/Cull
Joseph	Wallowa Lake Forest Products (Sawmill)	23
Lostine	Starner Lumber Co. (Sawmill)	2
Wallowa	Bogge Lumber Co. (Sawmill)	30
	Total	86 Green/3 Cull
UNION		
Elgin	Boise Cascade (Sawmill)	48
Elgin	Boise Cascade (Veneer)	56
Cove	Peacock Lumber Co. (Sawmill)	3
Union	Hoff-Ronde Valley Lumber (Sawmill)	13
La Grande	Boise Cascade (Sawmill)	25
La Grande	Christad Enterprises (Chip Mill)	65 LPP/Cull
North Powder	Powder Valley Land Co.	20
	Total	165 Green/65 Cull
	GRAND TOTAL	681 Green/148 Cull

1986 SALE PROGRAMS - GREEN TIMBER

Wallowa-Whitman National Forest	170.7
Malheur National Forest	227.6
Umatilla National Forest	108.7
Total	507.0

Timber available less mill requirements = 174 million board feet shortfall to be made up from private lands.

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Mr. WYDEN. Well, we are going to do more than think, we are going to follow up. You all are in a tough spot. We have heard 3½ hours of people coming before us with many of them touching on the same things you have, and you have said it very well without pummeling things that have been said before, and I am appreciative.

Mr. Turner, is there anything that you would like to add?

Mr. TURNER. Yes, Mr. Chairman.

TESTIMONY OF TED TURNER, GENERAL MANAGER, SNOW MOUNTAIN PINE LUMBER CO., HINES, OR

Mr. TURNER. I appreciate the opportunity to speak to you today. My name is Ted Turner, and I am general manager of the Snow Mountain Pine Co. in Hines, OR. As Mr. McCracken and others have mentioned today, we are seeing a restructuring of the timber industry in Oregon, and my company is part of that restructuring.

We are classified as a small business. We purchased the Edward Hines Lumber Co. of Hines, OR some 2½ years ago. Prior to that time, the Edward Hines Lumber Co. had shut the mill down, and laid off approximately 800 employees.

We decided that our company liked to be in the timber industry, and we negotiated with the Edward Hines Lumber Co. and purchased the mill. When we did that, we made a commitment to our employees, 250 people, and to the 200 people who are associated with the logging industry, to the other businessmen of the community, and to the community leaders to invest substantial amounts of capital in the plant at Hines to put ourselves and our community in a position that we can survive during the depressed times that we were experiencing.

You have asked today is the industry in Oregon capable of competing with other people around the country and in fact in the world. And I would say that we are. We are very proud of our sawmill. It is probably one of the most technologically advanced mills in Oregon, and probably indeed in the United States.

And we can compete and we do intend to compete, and we intend to be in business as long as we can. The No. 1 problem that we face, and that Rob faces, and the other people face in Oregon is timber supply. The issue of timber supply really started in about 1972 with RARE I, and then we went through RARE II. We have gone through numerous wilderness bills that have taken productive land out of the timber base.

We are no closer to having the problem solved of what is the timber supply for the future going to be than when we started the process in 1972. All of us have the same problem. The Forest Service is spending $100 million a year in region 6 planning how they are going to manage the forests. And those of us who rely on the National Forest for your timber base have only 1½ years or less of timber under supply, timber under contract.

It is very difficult for people to invest money, multimillions of dollars, in plants and facilities to employ people when they only have 1½ years of timber under contract. The bankers find it difficult to look at your projections when you have 1½ years of timber

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under contract, and you want to borrow $10 million, and they say where are you going to get the cash-flow to pay this money back.

That is the basic problem, and we need the help of the U.S. Congress in getting this issue out in the open and getting it solved, so that we know one way or the other whether we can survive, and that the people in our communities and our employees know whether they are going to survive or whether they are not.

Mr. WYDEN. I thank you. As I said having been at it for 3½ hours, so much of the valuable information that you have given us, others have touched on. So I know that there is some validity to it, and that it is on point.

Let me tell you that what I plan to do with this hearing is to take the transcript, a complete transcript of your oral presentations, your written presentations, and the additional material that will be coming, and send it to John Block, the Secretary of Agriculture, and we will highlight some of the key kinds of things, and ask for his response.

The Secretary of Agriculture ought to have a response on what he is going to do about the problems that we have heard about again, and again, and again today, or at least an assertion by him that he does not think that we are right, that he does not think that these problems exist. And I certainly am going to ask him to justify to us that $100 million budget for planning in region 6 and our area. And you have all helped us make the case. I am convinced now that there is a lot that we ought to be doing to make the Federal Government a better partner, and make the Federal Government a partner that is in a position to be of help rather than a hinderance.

And you all have been very patient in particular for staying and waiting through a very lengthy morning, and I thank you. We will leave the record open for your comments and others as well. And unless you gentlemen have any further information that you would like to add, the Small Business Committee will be adjourned. We are adjourned.

[Whereupon, at 12:35 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

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APPENDIX

APPENDIX A.—PREPARED STATEMENT AND ATTACHMENTS BY RICHARD T. BAILEY, DIRECTOR OF PLANNING AND SPECIAL PROJECTS, INDUSTRIAL FORESTRY ASSOCIATION IN RESPONSE TO HON. RON WYDEN'S REQUEST

INDUSTRIAL FORESTRY ASSOCIATION

225 S.W. Broadway / Room 400
Portland, Oregon 97205–3798
(503) 222-9505

October 25, 1985

Hon. Ron Wyden, M.C.
U.S. House of Representatives
Suite 1406
Longworth House Office Building
Washington, D.C. 20515

Submission For The Record
House Small Business Committee
Subcommittee on Tax, Access To Capital
and Business Opportunities
October 14, 1985
Portland, Oregon

Dear Congressman Wyden:

During our September 30 discussions in your Washington Office you asked me to document specific instances of industry disagreement with the professionalism, as opposed to philosophical viewpoint, of the Forest Service on various aspects of the U.S. Forest Service Land Management Planning. You also wanted specific illustrations of "bureaucratic nonsense." You amplified that request to the industry panel members testifying at the above-referenced hearing. While the term "nonsense" is prejudicial and certainly subjective, I believe that some of what follows would be classed as such by reasonable people. Though some of the documents appear dated, I assure you the concerns they represent are still valid. We are still hopeful that some of industry's concerns will be addressed adequately by the Forest Service, but as you can see we have been waiting quite a long time.

Land Suitability

Industry has strong concerns about the methods employed by the agency in determining which national forest lands are suitable for timber management.

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The Agency is required to review its land base on each National Forest under the National Forest Management Act. Industry has discovered, however, that there is considerable variation in application of this requirement on various Forests. We have minor concerns on some Forests, but major professional disagreements on others. Overall, land considered suitable for timber management on Region Six Forests is being reduced by about 18 percent. Exhibit 1, 2 and 3 document our concerns on but two Forests, the Mt. Baker-Snoqualmie and Mt. Hood. The Forest Service response to our concerns has been less that satisfactory. While in your office, I showed Ric Brown some photographs of unsuitable land on the Mt. Baker-Snoqualmie which strikingly illustrate our concerns over the professional judgment employed in classing them as unsuitable. Exhibit 4 discusses our overall reaction to suitability determinations in Region Six.

Timber Yield Tables

Yield tables are employed to estimate timber volume growth given certain productivity assumptions and management techniques. Empirical Yield Tables are growth estimates of existing stands, while Managed Yield Tables are estimates of growth on stands regenerated after harvest. Industry believes both yield tables employed by the Forest Service are unduly conservative. While a few of the Forests in the Region are doing a creditable job with yield assumptions, most are assuming reductions of between five and 30 percent as compared with yields employed currently. Examples of our concerns are shown in Exhibit 5. The 70+-page document which the Forest Service sent in response did little to address those concerns. In addition to our questions about yield assumptions, we have raised concerns about the agency's conservative fertilization policy.

Minimum Management Requirements

The Forest Service argues that it is required by NFMA to meet certain management requirements in all its alternatives and has defined them as Minimum Management Requirements or MMRs. Because these requirements will have a substantial effect on management and outputs of the Forests, it appears to us that they are also a violation of NEPA, which requires full disclosure and-

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analysis of all significant issues. The attached exhibits 6 and 7 document our concerns over the Forest Service's interpretation of the MMRs. Industrial Forestry Association appealed the Regional Foresters approval of the MMRs on grounds that they should be subject to public review and comment as required by NEPA. Our appeal was dismissed by the Chief of the Forest Service on grounds that the Regional Forester's action was an "interim planning decision" and therefore not appealable. It appears to us that the role of the agency under NEPA is to open all significant decisions to public scrutiny.Classing some significant decisions as "interim" would appear to violate the spirit and the letter of NEPA.

Summary

As the panel members at the Portland hearing indicted, there is good reason for the entire Pacific Northwest to be concerned about the direction of NFMA Planning in Region 6. Industry continues to be concerned because of the potential impact on timber supply. Preliminary projections, as you heard at the hearing, indicate Region Six may drop its timber availability by a billion board feet or more as the result of the Planning. But we are equally concerned about the lack of responsiveness displayed by the Forest Service in dealing with our arguments. In many cases, the issues we raised are ones on which there is substantial professional agreement outside the Forest Service. It appears, therefore, that the Agency's unwillingness to respond may reflect a preconceived view of a desired Planning outcome. If so, the Agency is not operating within the law.

I believe the final attachment (Exhibit 8), prepared by Jim Geisinger of Western Forest Industries Association, pulls our concerns together well. We face a genuine dilemma as an industry, but the impact of the Planning effort on the economies of Oregon and Washington is cause for concern one all sides. We certainly appreciate your continued interest in our problems and we will look forward to working with you on this issue in the future.

Sincerely,

R. T. Bailey

Richard T. Bailey
Director of Planning and Special Projects

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EXHIBIT 1

INDUSTRIAL FORESTRY ASSOCIATION

225 S.W. BROADWAY RM 400
PORTLAND OREGON 97205

Telephone

November 17, 1982

Mr. Richard J. Pfilf
Forest Supervisor
Mt. Hood National Forest
2955 N. W. Division
Gresham, OR 97030

Land Suitability Meeting - November 17, 1982

Dear Dick:

You and your staff's participation in the above meeting this morning at your office was very much appreciated. Steve Eubanks and I are scheduled to meet Friday morning to discuss the logistics of a field trip of those land industry looked at in their review. Hopefully, the weather will cooperate.

Let me take the opportunity to clarify some of the points raised at the meeting that are of concern to industry. First, the analysis that Craig Dixon did of the information we sent you is supportive of our position. Those lands called nonsuitable because of plantability problems are not our only concern. Lands that were called nonsuitable for other reasons are also important to us.

We are interested in your new planning schedule so we can work effectively with you. We also want to know how the Mt. Hood Forest intends to conform to the new NFMA planning regulation changes and what affect these changes will have on your Forest Plan.

It is obviously important to us that we get a response to our study. We will hopefully have our field trip by the end of November or the first week of December. We would like a response to the study by the end of December.

Dick, the criteria we used in our study was never intended to conform to the same criteria used by the Forest Service. We did go into the field and look at the results of past Forest Service management and compare these results with large areas now designated unsuitable. It is our conclusion that the majority of these nonsuitable areas are no different from lands you have been successfully managing in the past.

We look forward to seeing you on the field trip.

Sincerely,

Phil Cregg
District Forester

PG:ma
cc: Mt. Hood Timber Purchasers Land Suitability Team
Region 6 - Technical Review Committee
Mt. Hood NF Timber Purchasers Technical Review Subcommittee

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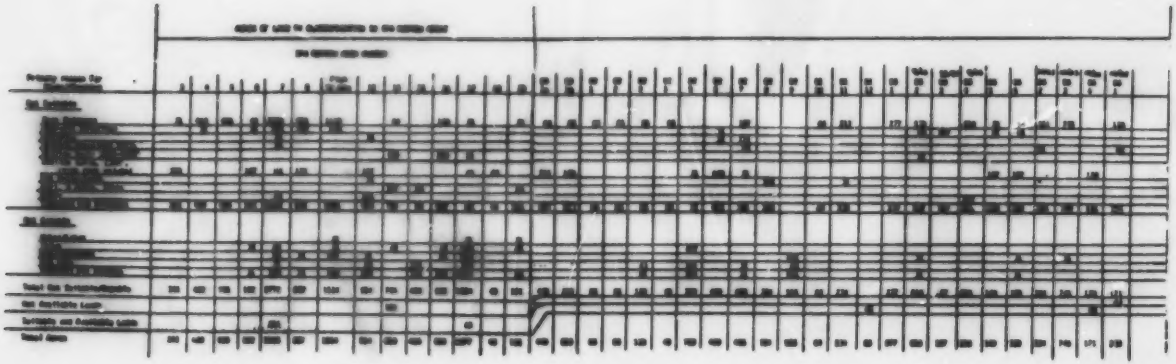

Source: Mt. Hood National Forest
November 1982

ITEM NOT AVAILABLE

LAND SUITABILITY STUDY REPORT BY MT. HOOD TIMBER PURCHASERS COMMITTEE

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STUDY OBJECTIVE

Because of the large amount of productive forestland being removed from the long-range sustained yield calculation, industry needed to make a study of those lands being classified as nonsuitable. The objective of this study is to determine if the Forest Service base data is giving an accurate description of land suitability that industry could have confidence in.

Since time and money constraints would not allow an intensive field review of suitable, nonsuitable and noncapable lands, it was decided to only study the nonsuitable and noncapable lands.

STUDY PROCEDURE

The following people participated in the field review. All have had considerable field experience in various aspects of forestland management.

Name, title & years forestry experience		Company	Ranger District Reviewed
Walt Nichols, Logging Mgr.	25 years	Frank Lumber Co.	Clackamas
Ed Feddern, Division Mgr.	21 "	Publishers Paper Co.	Estacada
Jeff Lampa, Forest Technician	15 "	Publishers Paper Co.	Estacada
Mickey Bellman, Forester	13 "	Avison Lumber	Clackamas
Mike Allen, Forester-Land Mgr.	9 "	Champion Tbrlnd.	Hood River
Bill Utley, Forester-Log. Mgr.	15 "	Champion Tbrlnd.	Hood River
Harley Horn, Forest Engineer	32 "	Hanel Lumber	Hood River
George Knowles, Forester	30 "	Bald Knob Land & Tbr.	Estacada
Frank Thomas, Chief Forester	35 "	Mt. Fir Lumber	Barlow & Bear Sprin
Karl Bialkowsky, Div. Forester	30 "	Mt. Fir Lumber	Barlow & Bear Springs
Phil Gregg, Forester	24 "	Industrial Forestry Assn.	Zig Zag-Clackamas

Each of the participants was given a "Summary of Criteria for Land Classification System" from the Regional Office paper on suitability.

Areas of nonsuitable and noncapable lands were mapped by overlaying the one inch to the mile scale computer map developed by the Mt. Hood Forest with fireman's maps of similar scale from each of the ranger districts. This process was comparable to what the ranger district people used when they originally assessed the computer map with on-the-ground conditions.

Unfortunately, their review was not a field review. A copy of one of their maps was compared to the industry map of the same area and the two maps were found to be fairly similar. It is our feeling that when we looked at various areas in the field we were looking at ground the district people were considering in their review. Industry participants were asked to utilize photographs wherever possible.

There was no effort to make a discrete or non-discrete statistical sample of the Forest. Areas were chosen on the basis that they would be large enough to compensate for lack of ground control on the computer map, be somewhat easily accessible and include each Ranger District except the Columbia Gorge. A Mt. Hood National Forest map showing the distribution of those areas industry reviewed is in the binder with the field report and photographs.

When the industry review was completed, the firemen maps and report for each area was double checked, acreage determined from computer map and incorporated into a bound file which is a part of this report.

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STUDY FINDINGS

The attached Table I, which is a summary of the field review done by industry, shows that 14,782 acres were visited in the field of which 11,766 acres were nonsuitable and 3,016 acres incapable. Industry agreed that 1,427 noncapable acres on three areas were correct calls by the Forest Service. Additionally, after map adjustments were made it was determined that another 489 acres of nonsuitable land was correctly called by the Forest Service. This indicates approximately 13 percent agreement between the industry and Forest Service on those lands in this study. There are 12,866 acres on which there is disagreement.

The criteria used in the following Table II to determine planting difficulty is many years of experience in and around the Mt. Hood Forest. The summary is a positive response that the Forest Service is capable of managing these lands for long-range sustained yield.

TABLE II

SUMMARY BY DEGREE OF PLANTING DIFFICULTY
ON NONSUITABLE & NONCAPABLE LANDS

Acres of Plantable Land 1/
by degree of difficulty

Excellent	Excellent to Good	Good	Good to Poor	Poor	Total
952	737	7205	2883	1268	13,045
7%	6%	55%	22%	10%	100%

1/ Exclusive of land industry and Forest Service agree on. Includes 874 acres of noncapable land.

Source: Response forms
Mt. Hood National Forest Industry
Review of nonsuitable and noncapable lands

The large difference of opinion between industry and Forest Service needs to be resolved. As Table II shows, industry foresters believe that approximately 90 percent of the nonsuitable and noncapable lands they reviewed are capable of being reforested within five years after regeneration harvest and are suitable for long-term timber management. That 10 percent of those reviewed lands may be difficult to regenerate.

Some of those who reviewed Forest Service nonsuitable areas have fully stocked company plantations on similar land adjacent to the Forest Service. Reforestation on these private lands was generally achieved by the third growing season. Also, they found Forest Service fully-stocked plantations adjacent to similar Forest Service lands now classified nonsuitable. Timber sales have been sold and advertised within portions of the unsuitable areas and so indicated in the loose leaf notebook.

One "glitch" was found on the Clackamas Ranger District. This was in area number sixteen and the noncapable land south of the area. Ninety percent of this area is suitable. Basically the SRI mapping units are 306, 308-6 and a very small amount of 500. A field review would have indicated that at least 500 acres of the 554 are easily manageable.

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In area five on the Estacada Ranger District 500 acres are classified not suitable for inclusion in the long-range sustained yield calculation. The principal SRI mapping units are 113, 317, 323 and 325. At least 300 acres are easily managed according to SRI and the remaining areas are manageable utilizing current reforestation and harvesting techniques on the Mt. Hood National Forest. Again, the area is suitable.

On the Clackamas Ranger District in Area 1-A, 373 acres of principally SRI mapping unit 13 was classified as nonsuitable. The area is fully-stocked with a Douglas fir understory 30 to 40 years old which is overtopped with Douglas fir old-growth fire veterans. There is at least one old clearcutting unit fully-stocked in the same SRI mapping unit. The Mt. Hood Forest's SRI indicates "mapping units one through fifteen are referred to as miscellaneous land types because they are limited in extent or variable in composition." Further the SRI describes the concept of mapping unit 13 which would indicate difficult regeneration.

Our field review of this area indicated planting difficulty was variable, poor to good, and the area suitable. We think that with the better cultural practices now being utilized in Forest Service nursuries, that survival of initial plantings in this area are better than average for bareroot stock. Especially if planting is done as soon as the site is available for planting in the spring. The more difficult portions would be ideal for containerized planting stock which industry surrounding the Mt. Hood Forest is using successfully in rocky soil.

Industry also believes that shelterwood cuttings would regenerate most of the land they reviewed within 10 years, but doubts the need for shelterwoods except perhaps for high elevation south, facing cutting units subject to intense solar radiation. Even in those rare instances where shelterwoods can be justified they should be underplanted to meet the five year regeneration requirement.

CONCLUSIONS

Three main problems exist. One is the large amount of nonsuitable land that is not included in the long-range sustained yield calculation because of planting restrictions. As presented in your April 14 Timber Production & Harvest, Availability, Capability and Suitability Report, this amounts to 83,800 acres and includes soil mapping units 13, 110, 111, 112 and 201. These mapping units are in the Pacific silver and Western hemlock zones.

It is our conclusion that the majority of these soils can be regenerated within five years using current reforestation technology.

The second problem is the mapping process itself. The Mt. Hood Forest's soil resource inventory which has the least site specific data base of all four of the mapping layers used to determine suitability is the driving force in removing lands from the long-range sustained yield calculation. And of all the soil forming characteristics, rock texture has the lowest confidence level because of variability.

It is our conclusion that because of the variability of forest soils which cannot be accurately mapped, that many thousand acres are being needlessly removed from the long range sustained yield calculation.

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Problem No. 3 is under the assumption "techniques" on which the Mt. Hood Forest's suitability study was premised.

> "It must be recognized that there are operational realities that prevent a high degree of success on extremely sensitive sites. Initial planting or techniques used by contractors, maybe not having the exact kind of stock needed available, misjudging proper fual treatment, transferring people, etc. all bring down the probability of success."

It is our conclusion that an attitude exists that operational problems are preventing initial planting success on extremely sensitive sites. We see the Forest Service investing large amounts of money in nurseries, tree improvement programs, silvicultural training etc. to insure that practices are up to the state of the art.

The nonstocked backlog is lower now than in the past. In 1977 the nonstocked backlog was 3,799 acres and in 1980, 1935 acres, and it is continuing to drop. We understand that the Forest Service now is not harvesting areas that cannot be reforested. But the evidence shows you are making significant improvements in regenerating sensitive reforestation sites.

RECOMMENDATIONS

We recognize the Mt. Hood Forest is reviewing lands in the Boulder Creek-Cheney Creek roadless area because of the lack of data base that existed when the forest made their original suitability analysis. We also have looked at these lands and will submit a separate report shortly.

Since the Forest started work on the Forest Plan, the Washington and Regional offices have continually changed their directions to the forests. Recent changes in the regulations will prompt further changes.

It is our recommendation that the Mt. Hood National Forest redo their land suitability analysis to bring it up to current direction. This will include a field review of a statistical sampling of lands that may be in question as to their suitability.

We would appreciate a response to our concerns as soon as possible.

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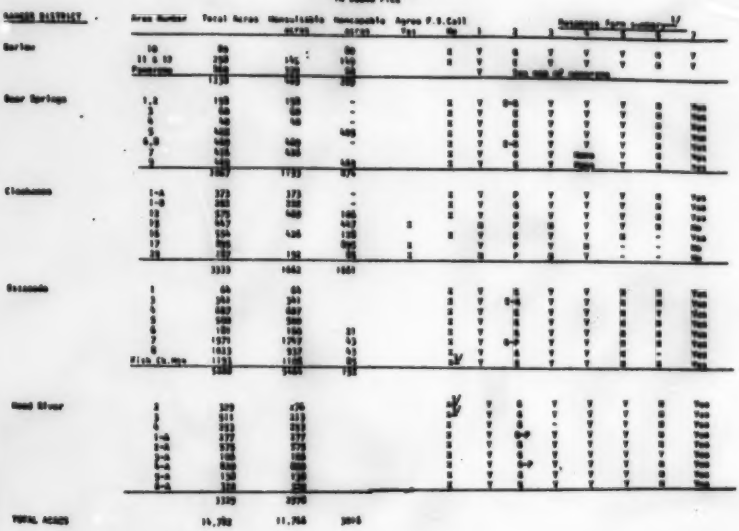
TABLE 1

Summary of inventory information,
Field reports received
to August file



1/ Yn Yes, Nn No, Pn P, G = Good, E = Excellent

1. Capable of producing 20 cf/ac/year over rotation. Yes No
2. Plantability is GOOD, FAIR, DIFFICULT. If poor, explain why.
3. Could this area be restocked with a minimum of 300 planted seedlings in 5 years? Yes No
4. Are adjoining old cutting units restocked with a minimum of 300 seedlings per acre? Yes No
5. Could area be restocked naturally by seed tree or shelterwood method within 10 years? Yes No
6. Is there evidence of unstable soils that could cause "irreversible resource damage?" (Road washing — slides.) Yes No
   If so, can that problem be mitigated and how?
7. Is this area suitable for long-term timber management?

2/ Even though many thought a shelterwood harvest would regenerate an area within 10 years, the consensus of all participants was that shelterwoods were of limited use because of the reforestation successes shown in the past when using clearcutting as regeneration harvest.

3/ Key change. Indicates partial agreement.

Source: Response forms
FS, Wood National Forest Industry
Review of Merchantable & noncommercial lands

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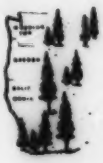
EXHIBIT 2

INDUSTRIAL FORESTRY ASSOCIATION

SERVING FOREST OWNERS LOGGERS WOOD USERS
THROUGHOUT THE DOUGLAS FIR REGION
225 S.W. BROADWAY / RM. 400
PORTLAND, OREGON 97205

Telephone
(503) 222-0600



January 13, 1983

Mr. Richard Pfilf
Forest Supervisor
Mt. Hood National Forest
2955 N. W. Division
Gresham, Oregon 97030

Results of Joint Industry/Forest Service
Field Review of Nonsuitable Lands

Dear Dick:

As we decided at our November 17th meeting regarding industry's field review of nonsuitable lands, two joint Forest Service/industry field reviews were arranged and completed. Purpose of the joint review was to insure agreement that the Forest Service and industry were looking at the same areas and to determine if there was any disagreement that the areas reviewed were plantable and could meet the 5-year regeneration requirements.

Unfortunately snow blocked us from reaching high elevation areas so we concentrated on those areas that were accessible.

December 6, 1982 - Bear Springs Ranger District

Participants	USFS	Industry
	Dick Pfilf	Ken Ponichtera
	Steve Eubanks	Harley Horn
	James Edgren	Bill Utley
	Lloyd Musser	Mike Allen
	Pete Wagner	Phil Gregg
	Craig Dixon	
	Jim Davidson	

Two areas were reviewed on the Bear Springs Ranger District. Two distinct timber types with essentially the same soil conditions were discussed. In Area 1 and 2 the north slope was fully stocked with a vigorous stand of Douglas fir approximately 70-80 years old. The major portion of the soils contained small loose rock that was plantable with some small areas of inclusions of larger rock that would be difficult to plant. On the south facing slope of this same area the timber type changed to a mature 30 percent stocked ponderosa pine overstory with a 70 percent Douglas fir pole-sized understory. Soil conditions were essentially the same as on the north slope except for a few rock outcrops closer to the ridgetop. A timber sale has been planned for this area.

Industrial Forestry Association

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There was agreement that this area could be planted to meet the regeneration criteria and be managed for timber.

The second area we visited on the Bear Springs District contained an approximately 10-year old clearcut that was fully restocked with natural seedlings. The remainder of the area contained a young pole-sized stand of Douglas fir. The soil contained some small fragmented rocks similar to Area 1 and 2. Again, there was agreement that the area could be planted to meet the regeneration criteria.

December 2, 1982 - Estacada Ranger District

Participants	USFS	Industry
	Steve Eubanks	Mickey Bellman
	Jack Parcell	Walt Nichols
	Dave Ellen	Jeff Lampa
	Scott Ogden	Philo Gregg
	Craig Dixon	
	Ed Whitmore	

Two areas were also reviewed on the Estacada Ranger District. The first area reviewed was Area No. 2. The upper end of this area is known as LaDee Flat and is an area that was logged at least 35 years ago. The area now supports a fully stocked vigorous stand of young Douglas fir in which at least one thinning sale has been sold. There is a clearcut unit also in this area that was planted approximately 10 years ago and is now a fully-stocked plantation of 8-10 foot high Douglas fir. This clearcut extends from the break of the LaDee area all the way down the slope to about 400-500 feet above the Clackamas River highway. The leave strip of timber above the highway was a mature stand of old growth Douglas fir. Individual trees in this stand were leaning as though there was some soil instability and the soil seemed to contain more rock than in the clearcut above. This area we agreed was plantable and manageable for timber.

The second area we visited on the Estacada Ranger District was Area No. 3, in the Hamaloose area. There was discussion as to the mapping accuracy. Because of the weather it was difficult to see, but it appeared there was agreement that the area was plantable under the regeneration criteria and manageable for timber.

The next question to be resolved was why were these areas classified nonsuitable? Forest Service reviewed the mapping process and the attached Tables 1 and 2 show results of what caused the areas to be classified nonsuitable.

Conclusion:

Industry and Forest Service participants agreed that all the areas we reviewed were plantable and suitable for timber management. Industry regards this as being supportive of their original study presented to you at the November 17th meeting. Using our original study areas and the joint review study areas as indicators, it appears to us that there are digitizing errors contained in the mapping process, as we jointly found in the LaDee flats area. Also, as we found in the field, the soils were pretty much as indicated in the SRI but, because of the broad range of soil textures that can be found in a soil mapping unit, it is

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difficult to accurately determine without field verification whether the volume of rock will prevent current reforestation practices from being accomplished within the 5-year regeneration requirement.

It seems that once we get to the woods we can reach agreement on almost anything. I am confident that if we had jointly reviewed all areas in the field, there would be full agreement on the industry calls. Foresters from all backgrounds generally agree on field evaluations. Consequently, we believe that there would have been strong agreement on those areas we were unable to visit.

Industry believes that their original recommendation is still valid and that is that the Mt. Hood National Forest should completely reanalyze their entire land suitability study and include intensive field sampling to bring it up to acceptable confidence levels. This reassessment could possibly be accomplished at the same time as the new timber inventory. Therefore, the Forest would have up-to-date information on both its vegetative cover as well as its manageability to base its new plan upon.

Sincerely,

Philo Gregg
District Forester

PG:mm
Attachment
cc: Mt. Hood National Forest Timber Purchasers CAS Group
Region Six Technical Committee
Mt. Hood National Forest Timber Purchasers Technical Review Subcommittee

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TABLE I

JOINT INDUSTRY-FOREST SERVICE FIELD REVIEW OF
NONSUITABLE LANDS--MT. HOOD NATIONAL FOREST

Ranger District	Area Number	Acres	Reason for Forest Service Nonsuitable Classification			Conclusion of Joint Field Review
			Rock Outcrop 1/	Stability	Shallow Soils 1/	
Bear Springs	1,2	198	198		(3500)	Plantable and suitable
	3	60	60			Plantable and suitable
Estacada	2	680	637 2/	43		Plantable and suitable
	3	341	21		320	Plantable and suitable
		1279	916	43	320	
Percent of total		100%	72%	3%	25%	

1/ Unable to meet 5 year regeneration criteria

2/ Digitizing error - 128 acres

TABLE II

TOTAL NONSUITABLE ACRES BY CLASSIFICATION
FIELD REVIEWED BY INDUSTRY AND FOREST SERVICE

	Acres Initially 1/ Reviewed by Industry	Acres Industry/ Forest Service Reviewed	% of Classification Jointly Reviewed
Rock Outcrop	9,148	916	10.0%
Shallow Soils (3500')	2,284	320	14.0%
Geological Stability	982	43	4.4%
Totals	12,414	1,279	10.0%

1/ Source: Mt. Hood National Forest

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INDUSTRIAL FORESTRY ASSOCIATION

SERVING FOREST OWNERS, LOGGERS, WOOD USERS
THROUGHOUT THE DOUGLAS FIR REGION

225 S.W. BROADWAY / RM. 400
PORTLAND, OREGON 97205–3798

Telephone
(503) 223-6905

November 19, 1982

TO: MT. HOOD NATIONAL FOREST LAND SUITABILITY TEAM
MT. HOOD NF TIMBER PURCHASERS TECHNICAL REVIEW SUBCOMMITTEE
R-6 TECHNICAL COMMITTEE

Mt. Hood National Forest Land Suitability

For the benefit of those who were not at our November 17, 1982 meeting with Forest Supervisor Dick Pfilf, this is a very brief synopsis of the meeting.

There were 31 people at the meeting; 17 participants, including Regional Office representatives, and 13 industry participants. After a brief summary of industry's field review findings, copy attached, the Forest Service response was, to say the least, defensive. As the meeting continued it became apparent that the Forest Service thought we were attacking the Soil Resource Inventory (SRI) and asking for a more intensive SRI. We tried to impress on them that was not the case. What we were trying to get across was that the SRI was too extensive to base judgments on to place lands in the nonsuitable category without field review.

The Forest Service indicated they have reviewed 55,000 acres of soil types, mainly in roadless areas which will add more acres back into the suitable land class. When they finish their report we will get a copy of it for distribution to you.

The attached summary of "Acres of Land by Classification in IFA Review Areas" was done by the Mt. Hood Forest Planning staff and presented to us at the meeting. It was mentioned that we only reviewed 4,000 acres of soil with plantability problems but after checking the addition it is closer to 8,500 acres. The balance of the acres were removed for the other reasons indicated on their summary.

There will be two field trips to visit the lands we reviewed with plantability problems. The Westside trip will be tentatively on December 2, 1982 and the Eastside trip tentatively on December 6, 1982. Once arrangements have been completed we will send out a notice.

Sincerely,

Philo Gregg
District Forester

PG:ms
Attachments

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INDUSTRIAL FORESTRY ASSOCIATION
SERVING FOREST OWNERS, LOGGERS, WOOD USERS
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EXHIBIT 3

March 23, 1983

Mr. J.D. MacWilliams
Forest Supervisor
Mt. Baker-Snoqualmie National Forest
1022 First Ave.
Seattle, WA 98104

Dear Mr. MacWilliams:

I greatly appreciated the opportunity to meet with your staff March 15 & 16 regarding both the current NRS Planning in general and the Mt. Hemlock tentative decision specifically. I must comment that your personnel were very helpful and informative.

With regard to the decision to withdraw from timber management 133,000 acres of Mt. Hemlock type, I spent considerable time with Mr. Lee Boeckstiegel, the Forest Silviculturist and Jan Henderson, the Forest Ecologist. Again, both were extremely helpful and many of my questions were answered.

Current Forest Service Direction on Suitability

The key question revolves around whether the Mt. Hemlock type, as defined by the Forest, is suitable for timber management. The lands must be shown to be successfully regenerated to a satisfactory level in a specified amount of time, normally five years after harvest. Other issues such as productivity through time, timberland economics are not relevant to the Stage I suitability screening test. These items become important later.

The revised NFMA regulations define suitability (stockability) as (219.27(c)(3)) "When trees are cut to achieve timber production objectives, the cuttings shall be made in such a way as to assure that the technology and knowledge exist to adequately restock the lands within five years after final harvest. Research and experience shall be the basis for determining whether the harvest and regeneration practices planned can be expected to result in adequate restocking. (Emphasis added).

In Region 6, the criteria for determining land suitability is contained in a January 26, 1983 memo from Jeff M. Sirmon to the Forest Supervisors. To quote from the memo (regarding natural regeneration):

"These lands may be classified as suitable where:

1. They are capable,
2. They are available,

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3. There is an adequate seed source of an acceptable tree species including concern for wind firmness present,

4. Experience in stands with similar characteristics has demonstrated the potential for reforestation success, and,

5. A certified silviculturist provides reasonable assurance that a prescription can be written and followed that will produce minimum stocking by natural regeneration within five years for clearcutting, or 10 years following the seed cut when using the shelterwood method of regeneration cutting.
(Emphasis added)

In the Regional land classification system, regarding "ground rules" for suitability:

1. The portion of the classification system addressing the "reasonable assurance that such lands can be adequately restocked within five years" will normally consider planted seedlings only. However, natural regeneration will be considered when the situation meets the "supplemental criteria" inserted on page 6. Site conditions that require practices such as introducing topsoil and/or irrigation to gain seedling establishment will not be considered economically feasible and therefore will be considered "unsuitable." However, harsh sites that could physically and environmentally support artificial regeneration if shading devices, complete competition control and other sophisticated but technically available silvicultural practices are utilized will be considered "suitable."

Stocking Verification - MBS

The issue then is whether or not the knowledge and technology exists to adequately restock the area after harvest. In the documentation packet "Mt. Hemlock Habitat Study - 14 Feb. 1983", a small portion of Appendix C is the most germaine to the suitability decision. On page 7, the document states that reforestation plotcards from 15 clearcuts, partially in this type (harvested between 1962 and 1975) from the Darrington and Mt. Baker districts were evaluated. But on-the-ground inspection of these stands was not made. The record shows that 8 stands were planted with the records on the other 7 incomplete. Of the 8 planted stands 12 plantings were done with 6 failing and the other 6 at "some unspecified level of success." However, apparently all stands were mostly restocked with naturals (either seedlings or residuals after clearcut). Of the 15 stands, 8 are shown to be stocked an average of 10 years after cutting, although stocking is possibly patchy.

This section of the report raises many questions in my mind as to what management techniques were utilized in these stands--questions which have a significant bearing on the suitability question. From the report, it is unclear as to what site preparation was accomplished (burning, piling, etc.); what species seed zone and vigor of stocking was used; what the density of stocking was; what

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brush material (size and density) was left on the ground; how long after harvest restocking was attempted; whether the 6 stocking failures occurred in two problem stands while the other stands were successfully stocked at the first planting; and how long after restocking the survey plots were made (2, 5 or 10 years). Reading this documentation as it stands, however, I am left a relatively optimistic picture of the stockability of these areas. A major concern I have in all of this is that these "forest experiences" in restocking the Mt. Hemlock zone were not recently revisited on the ground prior to the decision being made that the Forest had not "demonstrated to date that they can successfully regenerate the Mt. Hemlock zone lands within the required five years" (Mt. Hemlock Zone Review 3-3-83 by Lyle Jack). This is a critical item.

In my conversation with Mr. Boeckstiegel, he indicated that some contact had been made with industry around the North Bend District questioning how successful they had been in reforesting this type. He also indicated that the standard answers were something like "not much of a problem."

Subsequently, I checked with many industry foresters and reforestation specialists who have had harvest and regeneration activities in similar types. They have all indicated a willingness to review the Mt. Baker-Snoqualmie Mt. Hemlock decision and factual documentation, and share with the Forest experiences gained in this type. Some of the comments I received were very interesting -- some plan for 90-year rotations; precommercial thinning and even fertilization have been planned and carried out successfully; seed fall after harvest is somewhat poor but there is more than adequate seed after harvest -- apparently successfully stored in the soil over the years if the area is not burned; successful planting and growth of other species; frequent experiences with natural overstocking of Mt. Hemlock up to 2,500 TPA in 5 years, 3,000 - 6,000 TPA in 15 years--requiring heavy precommercial thinning; nominal planting only on skid-trails and landings due to heavy natural reproduction, etc.

I would state that there is a large body of experience in industry in working with this type that we would like to share with you. I therefore have organized an industry task force of industry experts who are interested in and have experience in managing the Mt.Hemlock type who would be willing to share their experiences with you. They are:

Scott Paper Co.

Ernie White - Forestry Manager
Al Crairing - Project Forester
Pete Heide - Silvicultural Supervisor
John Couture - Silviculturist

Weyerhaeuser Co.

Jim Crotts, Land & Timber Supervisor
Dick Pierson, Mgr. Forest Business Economics

St. Regis Paper Co.

Jack Ward - Forestry Manager
Bob Helgeson - Asst. Forestry Manager

Georgia-Pacific Corp.

Ted Dear - Chief Forester
Tom Westergren, Regeneration Forester

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Burlington Northern

W.L.Anderson - Manager Forestland
Dave [redacted] - Forestry Manager
George F. Raymond, Supvr. Environmental Coordination

Murray Pacific

Bob Gustavson - Chief Forester

I propose a meeting in your offices of your staff and the industry task force by mid-April to review the data at hand. To assure the meeting is as productive as possible I would like to request the following be completed or compiled prior to our meeting.

1. Because the data and type maps are not on one base map it is difficult to understand how all the information fits together. Therefore I request: One comprehensive forest map on a 1/2" = 1 mile scale (the standard forest map) with the following information drawn on:
    1. The boundaries of the 133,000 ac. Mt. Hemlock type.
    2. The location of existing harvest units, especially the 15 units cited in the documentation.
    3. The location of the 97 standard forest inventory plots within the type.
    4. The location of the ecology plots within this type.
2. The standard forest inventory individual plot data, commonly known as "plot cards" or N.F.I. Tree Summaries for each plot, which shows specific tree data and species quality and age distribution.
3. A summary of the percent of tree "crown cover" and distribution by species and ages for the ecology plots by plot and in aggregation.
4. The stratification of "roaded" and "unroaded" areas on the base map.
5. Some sample aerial photographs with the Mt. Hemlock type delineated on areas nearby private land (e.g. perhaps of the Canyonville Timber Sale Area T40N R7E).
6. More detailed information or plot cards (T.R.I. data) for the 15 year old clearcuts in the Mt. Hemlock type.

At the meeting, I would appreciate the attendance of your staff and perhaps a person from the Regional Office who has experience or knowledge of reforestation in this type on other forests in the Region. Additionally, at sometime in the near future, I would hope to organize a field trip to review both MBS lands and industry lands and assess silvicultural opportunities.

If at all possible, prior to this meeting of experts to share information, I would appreciate there being no "public information" releases about the tentative decision which has been reached. Involving the general public at this technical stage could only serve to confuse and politicize the issue.

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Doug, the Industrial Forestry Association and our members share the commitment for proper well informed decisions on our national forest lands for both on-the-ground actions and throughout current on-going land and resource management planning process. We are pleased to provide industry experience and knowledge in assuring that those decisions are made in the most knowledgeable manner possible. The removal from the Forest landbase of 133,000 acres is not a matter to be taken lightly, not only with respect to the allowable harvest, but with the attendant implications for private forest management.

Again, I sincerely appreciate you and your staff's cooperation on this matter, and I look forward to hearing from you regarding the proposed meeting.

Sincerely,

Richard T. Bailey
Director of Planning &
Special Projects

RTB:lf
cc: Mr. Chuck Goff, IFA
Mr. Scott Berg, IFA
Mr. Bob Platz, WFIA
Mr. Jeff Sirmon, Regional Forester

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EXHIBIT 4

FOREST INDUSTRY
REGION SIX PLANNING
POLICY COMMITTEE 225 S.W. Broadway, Room 400, Portland, OR 97205

Associated Oregon Loggers • Industrial Forestry Association • Northwest Pine Association
North West Timber Association • Western Forest Industries Association • Western Wood Products Association
Douglas Timber Operators • Southern Oregon Timber Industries Association

October 7, 1985

Mr. Tom Coston
Regional Forester
USDA Forest Service - Region Six
P.O. Box 3623
Portland, OR 97208

Dear Tom:

Some weeks ago the Region Six Policy Planning Committee agreed to document its concerns about the Forest Planning process on three specific issues: (1) incorrect designation of lands unsuitable for timber production; (2) erroneous assumptions regarding industry's need for wood now and in the future; and (3) misinterpretation of data to support Minimum Management Requirements for wildlife habitat. We will document our concerns in a series of three position papers, the first of which is enclosed. This paper outlines our concerns with regard to unsuitable designations, reviews generally the history of those concerns and the Region's response to them and proposes a resolution.

In addition to the proposed resolution outlined, we believe a thorough reassessment of suitability should be conducted in conjunction with the report on MMRs called for by the Secretary in his March 8, 1985 decision on the Regional Guide appeal. That decision directs the Forest Service to "review MMRs developed for other than Spotted Owls to ascertain that they are consistent with the principles..." described in the decision. Those principles address the need for the Region to make clear the uncertainty of the data used in developing interim decisions, including MMRs and suitability. A letter from the Chief also directs a review of all MMRs, including suitability: "...you are to prepare a report for the Region documenting the basis and supporting information on all direction from the Region on meeting requirements covered under the regulation (referring to 219.27 "Management Requirements"). The need for such re-evaluation is again emphasized in Deputy Asst. Secretary of Agriculture Douglas MacCleery's August 1, 1985 memo to the Chief regarding the R-6 report on MMRs. We believe that the Region should conduct a reassessment of suitability as part of this report, although we understand that the Region is currently excluding the suitability issue. To do otherwise, in our view, is to ignore the underlying rationale for the MMR report, which

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is to amplify and explain the uncertainties inherent in the data upon which these interim judgments are based. This was the issue in both the appeal of the Regional Guide and our appeal of the approval of the MMRs.

The attached paper is self-explanatory, so we will not discuss it further here. As always, please don't hesitate to call if you have questions or wish clarification.

Sincerely,

Ralph G. Peinecke

Ralph G. Peinecke
Chairman
Region Six Policy Committee

RGP:me
Attachment
cc: Max Peterson
Douglas MacCleery

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REGION SIX POLICY COMMITTEE
POSITION PAPER ON TIMBER LAND SUITABILITY
OCTOBER 1, 1985

I. Problem Statement

The Region Six Policy Committee is seriously concerned with the large acreage of forestland being withdrawn from consideration for timber production in Region Six Forest Plans because of asrumed regeneration difficulty or potential for irreversible resource damage. Suitability analysis reports for forests in the region indicate that a total of 1,979,729 acres of forestland are being placed in these two withdrawal categories (1). We are fully aware of the fact that National Forest Planning Regulations require that lands not physically suited for timber production be identified and excluded from the timber base; however, we believe that the suitability analysis done on many of the forests in Oregon and Washington are in error (2). This paper highlights the history of the land suitability issue in this region, our concerns on how the suitability issue has been handled and our recommendations for resolution of the issue.

II. History Of The Land Suitability Issue

In November 1983 the Regional Forester directed the forests to reanalyze the suitability of all their forestland for timber production. This decision was based on changes in planning regulations and concerns expressed by others including the Region Six Policy Committee over the quality of the previous suitability analysis. As a result of this new direction, we believe that some forest planning teams made a genuine attempt to accurately reanalyze their land suitability, but we have seen how others have approached this important task in a haphazard manner.

The need to determine the suitability of lands previously classed as unproductive forestlands was a major factor in the issuance of direction to reassess land suitability in Region Six (3). However, information obtained from several of the Region Six Forests lead us to the conclusion that little effort was made by some forests to accurately determine if these forestlands were suitable for timber production. It appears that several forests may have followed a preconceived notion that this land was incapable of significant contributions to the timber supply. As a result, all too many acres were classified as unsuitable without adequate analysis or verification. The net result from the analysis of the unproductive land by Region 6 forests was that only 273,316 (25%) of the total 1,098,135 acres of this land is considered suitable. We believe these findings to be in error.

Examples of the results of the inadequate analysis performed by

**References at the end of text:

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some forests are cited below to illustrate the seriousness of the problem and our reasons fbr believing that the acreages removed are excessive. Examples from the eastern and western portions of Region Six are provided:

A. Eastside Region Six Forests

Prior to the reanalysis of land suitability, the acreage of land classified as unsuitable due to regeneration difficulty was 283,353 acres. Following the planning pause but prior to passage of Oregon and Washington Wilderness Bills, the acreage identified as unsuitable due to regeneration difficulty had increased to 520,819 acres (4). This was an increase of 237,466 acres or an 84% increase. This increase in unsuitable acreage was not distributed across all the eastside forests as one might expect. Ninety percent or 213,827 acres of this increase occurred on three of the 10 eastside forests (Okanagon, Wenatchee and Colville).

A factor that makes a 213,827 acre increase in unsuitable acreage on three forests even harder to support is the fact that two of the three forests reported no acres of unsuitable land prior to the change in regulations (4). While one might expect a reanalysis to increase or decrease suitable acreage, one would not expect such a drastic change. Our concern is based not on the fact that a change had occurred, but the magnitude of the change and the basis for the change are, in our view, unsubstantiated. We see such drastic changes based on inadequate analysis and verification, as an attempt to withdraw lands for reasons not related to land suitability. Citing specific examples, the Okanagon and Wenatchee forests went from having 0 acres classified as unsuitable due to regeneration difficulty to having 70,510 and 96,186 acres respectively. The Colville originally had 28,775 acres, but increased their acreage to 75,906 acres as a result of their reanalysis. The increases in unsuitable acres on these three forests are extremely difficult to support particularly when forest employees tell us that virtually no actual ground verification of suitability classifications were conducted following the office analysis identifying these additional acres.

Other eastside forests with large acreages with large acreages classified as regeneration difficulty, prior to the reanalysis, made essentially no change in the suitability classifications as a result of the reanalysis. Had their original analysis been sound and their suitability classifications supported by adequate ground verifications, little concern would be voiced on the issue. However, until those forests with very large unsuitable acreages have ground verified that their suitability classifications are accurate, we will continue to question their validity.

Following the reassessment of land suitability the Oregon and Washington Wilderness Bills removed large acreages of forested land

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from eastside forests. Some of that removed by wilderness was classified as regeneration difficulty. These wilderness withdrawals had the effect of making the total regeneration difficulty acreage seem slightly less ominous, yet the total acreage outside of wilderness removed as regeneration difficulty on eastside forests is still 392,444 acres. Since the passage of the wilderness bills, forest industry silviculturists have ground checked some of the suitability classifications on the three Washington forests and conclude that much of it has been incorrectly classified.

B. Westside Region Six Forests

Prior to the suitability reassessment, the acreage of forestland removed as unsuitable due to regeneration difficulty totaled 521,978 acres. Following the wilderness bills and the reassessment of suitability, the acreage was still at 465,846 acres. While some forests' acreage of regeneration difficulty was reduced due to wilderness withdrawals, which included some acres previously classed as unsuitable, other forests increased the amount of land that was to be withdrawn. The Siskiyou increased the acreage of regeneration difficulty on the forest from 24,151 acres to 155,797 acres, The Umpqua increased its acreage from 34,097 to 49,481 acres and the Rogue went from 31,442 to 40,578 acres. On the Mt. Baker-Snoqualmie, while the "reforestation difficulty" classification did not increase substantially during the reassessment, the acreage withdrawn for this classification, 139,700 acres remains highly suspect for a variety of reasons. The acreage of reforestation difficulty should have been substantially reduced, particularly in view of a memo from the Chief of the Forest Service which was clearly directed at this forest. The criteria used in the suitability determination--definitions, growth measurements, timber typing and past silvicultural practices--were so questionable that this massive withdrawal of timberland remains unsupportable. Although the forest will attempt a testing program to assess reforestability over the life of the plan, the results will not be in for ten years, and we confidently predict that the majority of the land will be found reforestable. In the interim, a substantial reduction in harvest levels will occur which will adversely affect the dependent industry. In total and on individual forests the acreage of forestland that has been removed is far more than can be supported based on the types of analysis performed.

C. Factors Contributing to Inadequate Suitability Analysis

Investigation of the processes used by various forests to identify unsuitable lands revealed several factors which we believe contribute significantly to the overall problem of too much forestland being classed as unsuitable. One of the most common has been too much reliance on photo interpretation without ground verification. Another has been too great of a reliance on computer sort

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models using several layers of broad and untested criteria to identify areas of regeneration difficulty. The outputs of these models have been used without adequate ground verification to determine if the "models" accurately identified unsuitable land. A third has been attempts to extrapolate photo interpretation, originally done for timber inventory purposes, beyond the limits for which it was designed. The timber inventory photo classifications were designed to stratify forests into different working groups for standing inventory, growth and yield projections. They were not designed to identify lands that may be difficult to regenerate. Still, some forests have tried to use these same photo classifications to identify unsuitable lands.

Several other reasons for the inadequacies of the present suitability classifications could be cited, but we feel that a very important factor affecting the analysis of the lands previously classed as unproductive was that most forests did not know quite how to model these lands in their forest plans. We fear that they were too often determined to be unsuitable to keep from having to deal with them. Rather than attempt to predict yields from these lands, we believe they were classed as unsuitable for ease of effort.

III. Policy Committee Position On The Land Suitability Issue

The Region Six Policy Committee is seriously concerned about the dwindling commercial forestland base in Region Six. For four years, the Region Six Policy Committee has expressed concern about the suitability analysis performed on some forests. We have voiced these concerns to the forests, the Region and the Washington Office. While some progress has been made in resolving the issue, much remains to be done to insure that those acres removed from the available land base are truly unsuited for timber production.

We are firm in our insistence that a substantial portion of the acreage withdrawn as unsuitable in Region 6 does not meet the criteria set by the planning regulations. We firmly believe that before acres of forestland are excluded from the commercial base, they should be thoroughly analyzed and scrutinized to determine if they are truly unsuitable. On-the-ground verification of land suitability is necessary to insure that land is not removed from consideration for production of timber when it may in fact be well suited. It is extremely important that suitability analysis be accurate and unbiased since both the standing timber volume and the future growth potential present on acres classed as unsuitable will be excluded from the calculation of forests' allowable harvest. Withdrawal of a significant acreage of forestland as unsuitable could result in a substantial understatement of the potential yield a forest is capable of supporting. This would likely result in lower than warranted first decade harvest levels on some forests and a reduction in the timber supply to local mills. A substantial understatement of the most desirable investment level in timber management for the public would also result.

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In addition to seriously reducing timber supply, misclassification of a significant acreage of forestland as unsuitable will result in increased competition for stumpage and higher prices. Higher stumpage prices will further hamper the ability of Oregon and Washington Forest Industries to compete with Canadian producers for the U.S. domestic woods product markets. Our industry and the residents of the two states, who depend heavily on the Forest Products Industry for their livelihood, cannot afford to be put in a worse competitive position than that currently being experienced. Unnecessary removals of large acreages of forestland from the potential supply base cannot but further increase the competitive advantage that Canadian producers have over U.S. producers. This competitive advantage is partially the result of Canadian Governmental Policy which insures cheap and predictable supplies of stumpage to Canadian producers. The Region Six Forest Products Industry does not enjoy such favorable governmental policies. Instead, U.S. Forest Service Policy is apparently aimed at reducing the timber land base and ultimately timber supply. Reduced timber supply and higher stumpage prices will result in negative impacts on local communities due to curtailed mill operations or mill slowdowns which directly affect local, state and regional living standards. In light of the serious nature of the impacts that will result from timber supply reductions, we expect decisions made which reduce the timber land base to be based on technically sound analysis.

IV. Proposed Solution

A workable solution to this problem does exist. The solution would be to remove no acreage from the forestland base unless the removal is based on a reliable on-the-ground verification that the land has been accurately assigned to the unsuitable lands category. We recommend that all acres of forestland that have not been ground verified as unsuitable, be returned to the forest plan analysis model. This land could then be considered for timber management and allowed to contribute to the biological potential and allowable harvest for that particular forest. No irretrievable commitments of resources would be made before the land can be visited and "ground truthed" during the monitoring portion of plan implementation. At that time, if significant acreage of unsuitable land is identified on-the-ground, the forest plan harvest level can be amended to account for it.

REFERENCES

(1) The 1,979,729 acres are comprised of 858,289 acres of productive (capable of producing greater than 20 cubic feet of wood per acre per year) classed as unsuitable because regeneration cannot be assured within 5 years after harvest, 226,901 acres of productive land determined to be unsuitable due to potential to cause

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irreversible resource damage if harvested, and 894,539 acres of unproductive land classed as unsuitable due to regeneration difficulty.

(2) Regulations 36CFR Part 219 require that lands that cannot be regenerated within specified time limits or on which timber management will cause irreversible damage to the resource be withdrawn from consideration for timber production.

(3) The September 1982 version of 36CFR Part 219 requires that lands that have a productive potential of less than 20 cubic feet of wood per acre per year be analyzed for timber management suitability. This land was previously considered unsuitable and labeled as unproductive.

(4) The examples here deal only with that land previously termed productive and re-analysis of these lands were not affected by regulation changes.

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EXHIBIT 5

INDUSTRIAL FORESTRY ASSOCIATION

SERVING FOREST OWNERS, LOGGERS, WOOD USERS
THROUGHOUT THE DOUGLAS FIR REGION

225 S.W. BROADWAY / RM. 400
PORTLAND, OREGON 97205

Telephone
(503) 222-9505

July 20, 1982

Mr. Jeff Sirmon
Regional Forester, R-6
U.S. Forest Service
P.O. Box 3623
Portland, OR 97208

Dear Mr. Sirmon:

Attached please find the Region 6 Technical Committee's position paper on the empirical yield table development process currently used in Region 6.

Our comments are the product of the joint USFS/Industry informational meeting on empirical yields (May 18, 1982), thorough internal review of the process and external consultation with other experts.

We certainly hope our concerns will be fully evaluated and be utilized to improve the current process. We stand available for a meeting of our respective experts should any clarification of our position paper be necessary.

Sincerely,

R.T. Bailey

R.T. Bailey
Chairman, R-6 Technical
Committee

RTB:lf
cc: R-6 Technical Committee
R-6 Policy Committee
Jim Riley, NFPA
Dave Cox, NBSG
LIST C, DOE

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Position Paper

Region 6 Empirical Yield Development Process

Introduction

The development of accurate and applicable empirical yield tables affects all subsequent steps within the National Forest planning process. No matter how well benchmark runs are set up or alternatives developed, if the yields upon which they are based are not accurate, the results will be severely compromised. We are particularly interested in the Region 6 empirical yield development process because it controls empirical yields on all 19 forests.

Several concerns about the validity of the process remain. Our concerns center around the four following areas:

1. The individual tree height and growth curves and the growth-on-growing-stock and volume-per-acre curves are highly aggregated over a variety of site and stand conditions and, therefore, do not fully recognize the potential of a given stand.

2. The process by which the growth-on-growing-stock curve is adjusted is arbitrary and contains errors in logic.

3. The growth-on-growing-stock curve, when adjusted for mortality, is the best estimate of volume over time, given that it reflects the most current information available on the performance of the stands.

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4. The method by which individual equations and yield estimates are validated is unclear and inconclusive.

Aggregation of Data

While the individual tree height and growth curves are formed by species across a given Forest, they do not reflect differences by model component. Because model components of smaller acreage are given the same weight as the larger components, the equations are heavily biased toward smaller components. While we would recommend that the height and growth equations be developed by species and model component, at the very least, they should reflect a weighting by model component.

The standing-volume-per-acre and growth-on-growing-stock curves within the Empirical Yield Generator fail to accurately reflect the variation between model components. These curves are formed by working group, ostensibly because the individual model component curves gave curious results (perhaps due to errors in weighting). To average these data, which serve as the basis for empirical yield projection by component, severely compromises the process. The standing-volume-per-acre and growth-on-growing-stock curves should be appropriately formed by model component.

Adjustment Process

We have several concerns with the method used to adjust the growth-on-growing-stock curve.

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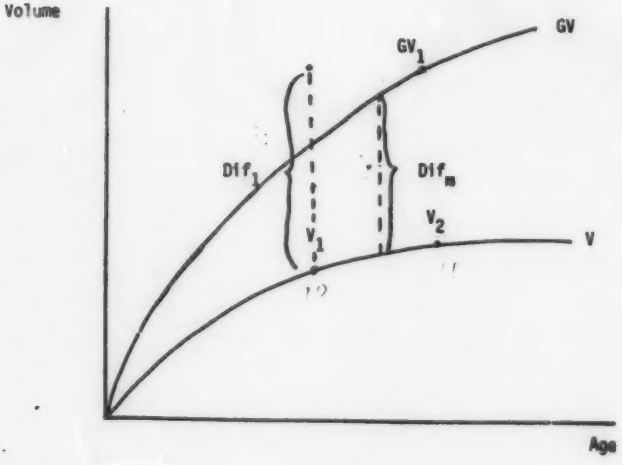
First, when the difference between the growth-on-growing-stock estimate and the standing-volume estimate is calculated (henceforth referred to as GV and V, respectively), it is divided by two to represent the midpoint of the period. However, the difference between the two curves is not necessarily proportional. For example, in Figure 1, the difference between GV and V at the midpoint of the period (Dif_m) is certainly more than half the difference at the beginning of the period (Dif_1). Because the equations of both curves are known, Dif_m would not be difficult to calculate and would be a more accurate predictor of the differences between the curves at midperiod.

Figure 1



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Secondly, the adjustment factor R has no intrinsic meaning. It does not represent a rate of change or any known relationship between the two curves. R is defined at any given point in time by the following relationship:

$$R = DIF/(VOL + D)$$

DIF = the difference between the curves

VOL = current volume estimate

D = DIF/2

R is an arbitrary adjustment figure. Consequently, the resultant adjusted curve does not represent any real functional relationship between yield and age.

Third, the ceiling that limits adjusted volume not to exceed the growth-on-growing-stock curve estimate is arbitrary. No similar floor is imposed if volume estimates appear too low. The starting point for volume on the standing/volume-per-acre curve is allowed to drop <u>below</u> actual volume estimates from that working group.

We are also concerned about the arbitrary ceiling on basal area. On the Mount Hood large Douglas-fir sawlog component, a ceiling of 375 $ft.^2$ was imposed, while the plot data showed that basal area of 528 $ft.^2$ could be maintained. With the limit, growth at age 227 began to fall off from 91 $ft.^3$/acre/year to 5 $ft.^3$/acre/year by age 287. Without the ceiling, growth was 26 $ft.^3$/acre/year at age 287, a 500% increase.

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Growth-on-Growing-Stock Curve

The growth-on-growing-stock curve, which reflects how stands are performing today, provides the most accurate estimate of volume per acre over time. It reflects how the stands have behaved over the last ten years and, therefore, provides the most current information on stand performance.

The growth-on-growing-stock curve does not, however, reflect mortality. Consequently, it should be adjusted by an estimate of mortality, not by an arbitrary process. While the development of a mortality predictor may be difficult and the results less than accurate, it would provide a much sounder, more realistic method of adjusting the growth-on-growing-stock curve. We would much prefer a best-guess estimate using a realistic procedure to an adjustment process which yields predictions with no intrinsic meaning.

In comparing the growth-on-growing-stock estimates with accepted yield tables, the growth-on-growing-stock projections, even without mortality adjustment, do not appear at all unreasonable. For example, on the Siuslaw National Forest, the growth-on-growing-stock curve estimates for mature Douglas-fir, site index 175, were actually consistently low in comparison with Technical Bulletin 201.

An equally viable alternative for yield table projection is the adjustment of existing simulation programs to individual national forests. While it would be difficult to calibrate the models to represent some forests,

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others would fit well into existing programs. For example, DFIT could be realistically applied on the Siuslaw National Forest and PROGNOSIS on the Wallowa-Whitman.

Checking Process

Nowhere are the individual tree height and growth estimates validated against accepted tree and height equations. While an estimator may accurately reflect the data through a high R^2, it may not be a good predictor. While a step does exist in the Empirical Yield Table Process to validate final empirical yield estimates, some doubt remains as to (1) the extent of the validation, (2) what margin of acceptability is applied to define a valid curve given the discrepancies we observe in the final product and (3) if the yields are found to be incompatible, what measures will be taken to correct them.

Conclusions

We have purposely kept our concerns brief and discussed only those which severely compromise the credibility of empirical yields throughout Region 6. We recommend that:

1. Recognized simulation models be calibrated (such as PROGNOSIS and DFSIM) to individual forests to produce empirical yields.

2. Where existing simulation models are inappropriate, the growth-on-growing-stock curve be adjusted for mortality and then used to project

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volume through time. It should be developed by model component and include no arbitrary ceilings on volume or basal area.

3. Individual tree equations for height and growth be developed by species and model component.

4. A systematic and thorough validation process be employed with the individual tree equations, the growth-on-growing-stock equation and the final empirical yield tables.

In conclusion, we believe it is essential that our recommendations be implemented in the Region 6 empirical yield table development process immediately on a time schedule (subject to our review) which causes the least disruption to the planning process while recognizing the impact of the empirical yields on the development of benchmark and alternative timber harvest schedules.

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EXHIBIT 5a

INDUSTRIAL FORESTRY ASSOCIATION
SERVING FOREST OWNERS, MANAGERS AND USERS
THROUGHOUT THE DOUGLAS-FIR REGION
225 S.W. BROADWAY RM 400
PORTLAND, OREGON 97205-3798
Telephone
(503) 222-9505

August 23, 1983

TO: ROGUE RIVER INDUSTRY SUBCOMMITTEE ON YIELDS

Russ McKinley
Beth Norcross
Ed Kupillas
Dick Felgenhour

FROM: R.T. Bailey

SUBJECT: Managed Yields

I have attempted to compare some of the new (5-10-83) Rogue River N.F. managed yield tables with the existing ones that the Forest is now operating under. My comparison may be in error, but I attempted to relate various attributes of the "new" yield tables to the "old" tables at certain ages.

The only directly comparable yield tables are those with full stocking level control--plant, PCT, CT and harvest. As you noticed when you received the yield tables from the Forest, there are a lot of tables - 25 management emphasis of which 10 involve management of timber, the others relate to scenic views, elk winter range, etc., and 2 which have full timber yields. All of the other tables have some sort of age, diameter, or size limit which precludes full yield.

Consequently, I only attempted to compare the "old" and "new" gross full yield tables as there is no way to compare "old" and "new" reduced yield tables (the "old" yield table documentation shows none). Both the "old" and "new" tables are reduced 15 percent for holes in stands, etc. The "gross new" tables are in the thick yield book (Appendix D), while the net yield tables are shown in the "thin" book Appendix G.

By comparing apples and apples, the attached comparison is made. For the existing plan, only 4 managed yield tables were used for the entire Forest, whereas the new plan has 4 major work groups -- Cascade mixed conifer, Cascade true fir, Siskiyou mixed conifer, and Siskiyou true fir. By taking the highest yield table (except genetics which the old plan didn't use) from each work group (numbered 103A) and comparing it with the "old" stocking level control, one can see that the new productivity (MCF) at 100 years ranges from +.5% to -35.9% of the old yields. This assumes, of course, that each entire work group will be managed under this full yield prescription. Any other prescription with reduced yields will increase this discrepancy further.

While a lot of additional work is needed on evaluating the yield tables, I think this comparison serves its purpose. Although the yield tables may change as a

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result of new direction coming out of the pause in planning. I certainly think we are justified in asking the Forest to prepare a comparison of the "old" and "new" tables and to justify the differences.

We may also wish to meet with Werner, as I am still unclear as to how he derived his input data from the inventory plots. I would recommend reading the "thin" book section on managed yields to become aquainted with his process.

If you have any questions, please call.

Sincerely,

Richard T. Bailey
Director of Planning &
Special Projects

RTB:lf
Attachment 1 - "Old" Yield Tables
Attachment 2 - Comparison

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ROGUE RIVER - MANAGED YIELDS

Management Activity (Prescription)	Old Tables	New Tables	Site Index (100)	Comparison between existing and proposed yields timber production emphasis prescription: Height 4" Diameter 50 Yrs.	Height 4" Diameter 100 Yrs.	Total Cu.Ft. Volume 50 Yrs.	Total Cu.Ft. Volume 100 Yrs.	MAI Cu.Ft. 50	MAI Cu.Ft. 100	% by Cu.Ft. Vol @ 100 Years Ful Stocking Leve Control	AC
STOCKING LEVEL CONTROL Plant, PCT, CT	X		110	81	110	12.7	19.8	6278	12,442	114	124		
COMMERCIAL THIN ONLY	X		110	64	100	7.2	13.0	3711	8,000	74	75		
NATURAL STANDS ONLY NEEDING commercial thinning Age 80 start	X		110	-	83	-	10.0	-	10,158	-	101		
STOCKING LEVEL CONTROL & GENETICS	X		110	-	-	-	-	5489	11,605	110	116		
CASCADE MIXED													
CMM 103A Plant, PCT, CT		X	121	67	110	12.0	21.55	4522	12,508	90	125	+.53%	208.
CMM 104A Plant, CT		X	121	62	104	9.7	19.6	2709	10,876	56	110		
CMM 105A Plant Only		X	121	62	93	9.7	17.9	2709	8,488	56	86		
CASCADE TRUE FIR													
CTM 103A Plant PCT CT		X	96	59	88	12.0	20.1	5030	11,763	98	116	-5.46%	52.1
CTM 104A Plant, CT		X	96	56	84	10	18.6	3263	10,947	65	109		
CTM 105C Plant only		X	96	56	77	10	17.3	3240	8,971	64	89		

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(cont.)

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Management Activity (Prescription)	Old Tables	New Tables	Site Index (100)	Comparison between existing and proposed yields timber production emphasis prescription: Height 4" 50 Yrs	Height 4" 100 Yrs	Diameter 50 Yrs	Diameter 100 Yrs	Total Cu.Ft. Volume 50 Yrs	Total Cu.Ft. Volume 100 Yrs	MAI Cu. Ft. 50	MAI Cu. Ft. 100	% by Cu.Ft.Vol @ 100 Years fu stocking lev control	
SISKIYOU MIXED													
SMM 103A Plant, PCT, CT		X	105	59	95	11	20.3	2437	7973	50	81	-35.9%	96.1
SMM 104A Plant, CT		X	105	54	88	9.0	18.6	1427	7192	30	74		
SMM 105A Plant Only		X	105	54	81	9.0	17.4	1427	6038	30	62		
SISKIYOU TRUE FIR													
STM 103A Plant, PCT, CT		X	96	53	87	11.3	19.0	3253	10,053	68	102	-19.20%	7.:
STM 104A Plant, CT		X	96	48	81	9.2	17.3	2068	9,114	44	94		
STM 105A Plant only		X	96	48	74	9.2	15.8	2068	7,827	44	81		

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EXHIBIT 6

INDUSTRIAL
FORESTRY ASSOCIATION
220 S.W. Broadway / Room 400
Portland, Oregon 97205-3790
(503) 222-9505

50 YEARS OF FORESTRY LEADERSHIP 1934 1984

November 15, 1984

TO: REGION 6 POLICY & TECHNICAL COMMITTEES

SUBJECT: Wildlife Minimum Management Requirements Appeal

Attached please find an appeal which IFA filed regarding the Wildlife requirements in Forest Planning. We have had several discussions regarding what action to take on this issue and the Regional Guide Appeal. The initial impacts of the MMR's (contained in my September 27th memo) indicated about a 6 percent yield reduction on each Forest. New information based on actual FORPLAN runs may run up to 30 percent on each forest just on wildlife requirements. Our concern consistently for over two years has been that:

1. These MMR's will have a significant impact which has not and will not be subject to a NEPA analysis,

2. Few, if any, alternatives to habitat preservation (e.g. supplemental food supplies, moving the animals, etc.) were considered during the MMR development, and

3. There has been and will be no other point at which to officially object to the MMR's as forests are accepting Regional direction as given.

IFA has intervened in the Regional Guide Appeal brought by the National Wildlife Federation. We initially had hoped as intervenors to expand the issue to all MMR's and not just focus upon the Spotted Owl issue. Although that strategy is still possible, it is remote, for the Forest Service indicated the appeal issue will be limited to just the Spotted Owl.

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Another option for objecting to the MMR's was that we understood the Regional Forester was going to issue direction implementing MMR's before the Forest Plans were finalized. This would have been a preferable item to object to, but the Regional Forester last Friday indicated that such direction would not be issued.

Therefore, for us to raise this issue prior to Forest Plan finalization, this decision document may be the only vehicle to resolve our concerns. In discussing this matter with Policy Committee chairman Ralph Peinecke it was decided to pursue this appeal.

Last Friday was the final day for filing the attached appeal, and it may be denied or accepted. We believe it is in all of industry's best interest, not only from a public timber supply side but from a private timberland regulatory standpoint, to continue this appeal. However, we may elect to vacate this appeal at some future date.

I would like to establish a formal working committee from the Technical and/or Policy Committee to work on the issue from now on. Please let me know if you would like to participate.

Sincerely,

R.T. Bailey

Richard T. Bailey
Director of Planning &
Special Projects

RTB:lf
Attachments
cc: Scott Horngren
Jim Riley
Dick Reid
Mark Rasmussen

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INDUSTRIAL FORESTRY ASSOCIATION

225 S.W. Broadway / Room 400
Portland, Oregon 97205–3758
(503) 222-9505

November 9, 1984

Mr. Jeff M. Sirmon
Regional Forester
U.S. Forest Service- Region 6
P.O. Box 3623
Portland OR 97208

Dear Mr. Sirmon:

This letter is to appeal (under 36 CFR Part 211) your decision of September 25,1984, contained in a 1920 LMP letter to Forest Supervisors. This decision approved the implementation of the Wildlife Minimum Management Requirements contained in the Regional Guidelines issued on Feburary 9, 1983. We believe this decision violates: the intent of the National Forest Management Act; the intent and procedures contained in the National Environmental Policy Act and implementing regulations (43 CFR Part 1500-1508); and 36 CFR Part 216 "Procedures for Involving the Public in the Formation of Forest Service Directives."

Our concerns relate to the development and implementation of these absolute minimum standards with the given biological knowledge base, with little or no analysis conducted to assess the relative benefits and costs of this major Federal action, as NEPA requires. There will be an assured social and economic impact which is required by law to be addressed.

We request a reconsideration of this decision and the Regional Guidelines, and also request the initiation of a sufficient environmental and social analysis on the necessity and validity of setting minimum management requirements in place.

In order to sufficiently review the pertinent documents and to adequately present our arguments, we request an additional 45 days within which to file our statement of reasons and/or resolve our concerns through other means.

Sincerely,

R.T. Bailey

Richard T. Bailey
Director of Planning & Special Projects

RTB:mm
cc: John B. Crowell, Jr.
Bob Simmons

50 YEARS OF FORESTRY LEADERSHIP 1934 1984

SERVING FOREST MANAGERS, LOGGERS AND SAWMILLERS THROUGHOUT THE DOUGLAS FIR REGION

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United States Department of Agriculture | Forest Service | R0

Reply to: 1920 Land and Resource Management Planning | Date: September 25, 1984

Subject: Wildlife MMR Approvals

To: Forest Supervisors

After a review of all Forests' Wildlife Minimum Management Requirements (MMR's), distribution maps, and matrix information, we have concluded that all Forests are generally complying with our Wildlife MMR direction. The following listing by Forest identifies whether each Forest's specific Wildlife MMR formulation is approved, and if not, what still needs to be done. In addition, copies of the two versions of the Wildlife MMR Matrix are enclosed. The long version includes all the information that we collected from you; the short version contains a summary of key items for use in discussing this information with others, including public agencies and interested members of the public.

Colville National Forest: Your Wildlife MMR formulation is approved. Your request to add mule deer as an MMR species is approved.

Deschutes National Forest: Your Wildlife MMR formulation is approved. Your request to add goshawk as an MMR species is approved. Your request to delete pileated woodpecker as an MMR species is approved. Your request to delete peregrine falcon as an MMR species is not approved. You should continue to list the species and indicate that no habitat is present, but that habitat and use identified in the future will be managed consistent with the Recovery Plan.

Fremont National Forest: Further review is needed of your Wildlife MMR formulation. As discussed with Gene Silovsky over the telephone on September 17, you will be coordinating with the Deschutes and Winema National Forests about using small accipiters as an MMR species, and with the Oregon Department of Fish and Wildlife about your approach for managing pileated woodpecker. You will advise us of your resolution of these items by September 21. In addition, we understand that you have made some adjustments in your distribution of goshawk and northern 3-toed woodpecker habitats, and will inform us of the corresponding changes in your matrix information as soon as you can.

Gifford Pinchot National Forest: Your Wildlife MMR formulation is approved. We would like you to fully document your analysis and rationale for choosing to manage your spotted owl habitat.

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Forest Supervisors

Malheur National Forest: Your Wildlife MIR formulation is approved.

Mt. Baker-Snoqualmie National Forest: Your Wildlife MIR formulation is tentatively approved, subject to additional clarification of your managed vs. dedicated analysis. We have already contacted you about the questions we believe need to be addressed, and have set up a meeting with you for September 26 to resolve these questions.

Mt. Hood National Forest: Your Wildlife MIR formulation is approved. We would like you to provide us with your matrix information for Roosevelt elk and black-tailed deer when you have completed your evaluation of those species.

Ochoco National Forest: Your Wildlife MIR formulation is approved. Your request to delete marten and northern 3-toed woodpecker as MIR species is approved. We will not approve a request to delete peregrine falcon as an MIR species. You should continue to list the species and indicate that no habitat is present, but that habitat and use identified in the future will be managed consistent with the Recovery Plan.

Okanogan National Forest: Your Wildlife MIR formulation is tentatively approved. Your request to add mule deer as an MIR species is approved. We would like further clarification on whether you intend to address spotted owl as an MIR species. We understand that you have made some revisions in your formulation for species using old growth and mature habitats, and would like you to inform us of the corresponding changes to your matrix information by October 1. We would also like you to be sure you fully document the processes you use to establish and meet Wildlife MIR's, and, because you indicate that you will not know the full impact of your MIR's until you make your FORPLAN runs, to inform us when you have a better idea of what the impacts of your MIR's are as calculated within your FORPLAN model.

Olympic National Forest: Your Wildlife MIR formulation is tentatively approved, subject to revisions you are making pursuant to a September 5 meeting you had with Rod Canutt and Stark Ackerman. You have agreed to submit these revisions to us by September 24, and we will resolve any questions we have about them with you by October 1.

Rogue River National Forest: Your Wildlife MIR formulation is tentatively approved, subject to additional clarification of how you are handling Roosevelt elk and black-tailed deer. We have already spoken with Larry Wheeler and Jim Wolf about the questions we believe need to be addressed.

Siskiyou National Forest: Your Wildlife MIR formulation is tentatively approved, subject to our review of your requests to delete Roosevelt elk and black-tailed deer as MIR species, and your comparison of managed vs. dedicated approaches to providing habitat. You have agreed to submit this information to us by September 25 so that we can act on it by October 1.

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Forest Supervisors

Siuslaw National Forest: Your Wildlife MRR formulation is tentatively approved, subject to our review of your requests to add sharp-shinned hawk and mountain quail as MIR species. You have agreed to submit these requests to us by September 24, and we will resolve any questions about them with you by October 1.

Umatilla National Forest: Your Wildlife MRR formulation is approved.

Umpqua National Forest: Your Wildlife MRR formulation is approved.

Wallowa-Whitman National Forest: Your Wildlife MRR formulation is approved.

Wenatchee National Forest: Your Wildlife MRR formulation is approved.

Willamette National Forest: Your Wildlife MRR formulation is approved.

Winema National Forest: Your Wildlife MRR formulation is approved. Your request to delete the peregrine falcon as an MIR species is not approved. You should continue to list the species and indicate that no habitat is present, but that habitat and use identified in the future will be managed consistent with the Recovery Plan. We would also like to see your evaluation of managed vs. dedicated approaches to providing habitat.

JEFF M. SIRMON
Regional Forester

Enclosure

cc:
RF
DRF's
PLAN, ALampi, SAckerman

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PETERSON DEFENDED HIS DENIAL OF INDUSTRY'S REQUEST BY NOTING THAT INCLUSION of the Decision Criteria in the DEIS " ...conveys that a decision has been made prior to public review of the DEIS and could impede or frustrate constructive public comment." Using this rationale, one could just as easily argue that the presentation of a preferred alternative, in itself, constitutes evidence that a decision has been made prior to public review. Either the preferred alternative and Decision Criteria should be shown or neither should be included.

Wildlife Minimum Management Requirements (MMRs) A major problem for most Westside Forests

NATIONAL FOREST MINIMUM MANAGEMENT REQUIREMENTS FOR WILDLIFE, APPROVED last month by the Regional Forester, have confirmed industry's worst fears about their impact on harvest levels. Resulting reductions in acreage suitable for timber management range from 47 percent on the Siuslaw NF to 3.1 percent on the Deschutes. Annual harvest yield reductions are projected at 11.7 percent (40 MM bd. ft.) on the Siuslaw to 2.7 percent on the Winema. Total Regionwide acreage of suitable timberland which will have a 100 percent reduction in yields is 592,504 ac., or more than the entire forestland base of the Siuslaw. Approximately 1.7 million acres of suitable land will have a constraint on timber production for wildlife management bringing the total affected acres to 2.4 million. Regionwide, the reductions in anticipated harvest are expected to exceed 300 MM bd. ft. annually. Additional reductions can be anticipated for watershed, visual constraints and other things.

MMRs ARE THE FOREST'S DELINIATION OF SPECIFIC SPECIES AND SPECIFIC HABITAT LOCAtions which will be created and/or protected in the Forest Plans. This "minimum" habitat level cannot be violated in the alternatives because it is interpreted as the "minimum requirements of laws and regulations." NEPA allows alternatives outside existing law and regulations, but the practical reality is that most Forests will protect far more habitat than "minimum."

INDUSTRY HAS CONTINUALLY OBJECTED TO THE WILDLIFE STANDARDS AND THE METHOD of their development. Much of the data used in their calculation is highly speculative. Specific habitat requirements have been developed with very limited observation, much theorizing and few facts, yet nowhere is this made clear. No management alternatives, short of fixed habitat setasides, have been offered. Harvest scheduling, physical management, feeding programs, nest creation programs could all be considered viable alternatives, but the Forest Service seems intent upon utilizing only "natural habitat" preservation. In fact, the very habitat distribution system they require for Forest Plans is an unnatural grid-like system.

INDUSTRY BELIEVES THAT THE FAILURE TO CONSIDER ALTERNATIVES IN THE NFMA REGulations and the issuance of a "finding of no significant impact" in regards to the wildlife aspects of the regulations constitute a clear violation of NEPA. It makes little sense that the extreme detail of strict habitat requirements can flow from such a general and noncommittal phrase in the Nat'l Forest Mgt. Act as "...provide for diversity of plant and animal communities based on the suitability and capability of the specific land area in order to meet overall multiple use objectives, and within the multiple-use objectives of land management plan adopted pursuant to this section, provide, where appropriate, to the degree practicable, for steps to be taken to preserve the diversity of tree species similar to that existing in the Region controlled by the Plan," (Se. 6 (g)(2)(B) NFMA. Emphasis added)

IN SUMMARY, THE MMRs SHOULD ONLY BE ACCEPTED AS A GUIDELINE THAT MAY OR MAY not produce the desired effect. The Agency should acknowledge the uncertain nature of the data and strive to improve it over the life of the Plans. Certainly, the Forest Service should recognize that it is highly unlikely that any habitat objectives will be compromised during the life of any Plan and that no major adjustments to the sale program or other programs should be made solely on questionable data. And finally, the Administration should give serious consideration as to the validity of the NFMA regulations as they flow from both the stated and written intent of Congress. No one wishes to see any species rendered extinct, but the worst possible outcome of the current plans might be that a species would be listed on the U.S. F&W threatened or endangered list. Even that is highly unlikely.

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EXHIBIT 7

INDUSTRIAL FORESTRY ASSOCIATION
225 S.W. Broadway / Room 400
Portland, Oregon 97205-3719
(503) 222-9505

50 YEARS OF FORESTRY LEADERSHIP 1934 1984

November 30, 1984

TO: R-6 POLICY & TECHNICAL COMMITTEES

SUBJECT: NMR APPEAL

Attached please find three letters of correspondence related to the above appeal. The first letter acknowledges receipt, the second recommends to the Chief the appeal be denied and the third is mine arguing otherwise.

I will keep you informed as items develop related to this appeal as well as the Regional Guide Appeal.

Sincerely,

R. T. Bailey

Richard T. Bailey
Director of Planning &
Special Projects

RTB:lf
Attach.
cc: Charlie Adams
Scott Horngren
Jim Riley
Dick Reid
Mark Rasmussen
District Foresters

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CERTIFIED MAIL—RETURN RECEIPT REQUESTED

United States Department of Agriculture | Forest Service | Pacific Northwest Region | 319 S.W. Pine P.O. Box 3623 Portland, OR 97208

Reply to: 1570

Date: NOV 22 1984

Mr. Richard T. Bailey
Industrial Forestry Association
225 SW Broadway, Room 400
Portland, OR 97205-3798

Dear Mr. Bailey:

This acknowledges receipt of your timely Notice of Appeal dated November 9, 1984, seeking review of the Regional Forester's letter of September 25, 1984. This letter approved each Pacific Northwest Region National Forest's specific Wildlife Minimum Management Requirement (MMR) formulation for Forest Planning.

We will conduct the administrative review you requested pursuant to 36 CFR 211.18.

I have forwarded your request for a time extension to prepare a Statement of Reasons to the Chief of the Forest Service. He will issue a decision on your request in the near future. I have also recommended to the Chief that your appeal be dismissed pursuant to 36 CFR 211.18 (h)(11) (see letter enclosed).

Sincerely,

/s/ Hugh Black Jr.

JOHN F. BUTRILLE
Deputy Regional Forester

Enclosure

cc:
WO, RPS - Systems Coordination (Phang)
OGC (Simmons)
PLAN (Alcupi, Schurman)

JLCarroll:tca:11/19/84:Appeals:Wildlife MMR

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

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United States Department of Agriculture | Forest Service | R-6

Reply to: 1570 Appeals (LMP)

Date: NOV 1984

Subject: Wildlife Minimum Management Requirements Appeal Dismissal Determination

To: Chief

Enclosed is a copy of the Notice of Appeal and a 45-day extension request to prepare a Statement of Reasons as filed by the Industrial Forestry Association. They are appealing the Regional Forester's direction of September 25, 1984, which approved each Region 6 National Forest's specific Wildlife Minimum Management Requirement (MMR) formulation. This Notice of Appeal is being forwarded to you to determine if it is a matter excluded from appeal. The following describes the background of this situation and my recommendation.

BACKGROUND: Given the controversy and significance surrounding the issue of Wildlife MMR's, the Region decided in the late Spring of 1984 to review the way Forests were meeting the Wildlife MMR direction (through their particular formulation) and to develop a matrix of information to preliminarily display the impacts of their formulations. Some of the objectives of this review were to insure compliance with the February 9, 1983, direction (as clarified by our April 16, 1984, letter), coordination with adjacent Forests, appropriate consistency throughout the Region, and optimum use of the efficient techniques to apply the direction to specific Forest situations. After reviewing Forest formulations and developing matrix information, the Regional Forester on September 25, 1984, signed a letter to Forest Supervisors giving approval to most Forests' Wildlife MMR formulations. Where Forest's formulations were not approved, actions were identified that needed to be done before approval would be forthcoming.

This approval point is part of the ongoing review that the Regional Forester makes in fulfilling his responsibilities relative to the development and approval of Forest Plans. This is an interim review of the way Forests are developing their Plans, and the way they are interpreting and applying forest planning direction. This is also an opportunity to review the results of their application of the direction. This review is not unlike similar reviews given to suitable land classification, and riparian and visual strategies.

Contrary to what is suggested by the appellant's November 9, 1984, letter, our September 25, 1984, letter did not approve "the implementation of the Wildlife Minimum Management Requirements contained in the Regional Guidelines issued on February 9, 1983." If, by

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Chief

implementation, Industrial Forestry Association means implementation as direction to guide the development of Forest Plans, that implementation was approved in the February 9, 1983, letter itself which directed the Forests to use the MBR direction in the letter as fully as possible. If, by implementation, Industrial Forestry Association means implementation on the ground, we have never directed the Forests to implement the direction on the ground before the Forest Plans are approved.

SUMMARY: A thorough review of the appeal regulations leaves no doubt that planning process decisions made prior to completion of final plans are not appealable. The Draft Appeals Handbook further clarifies this point by stating, "While planning process decisions may be important issues in an appeal of decisions on final plans and guides prepared under the National Forest Management Act, these interim decisions may not be separately appealed" (36 CFR 211.18(b)(11)).

RECOMMENDATION: Based on the above information, my recommendation is as follows.

1. Determine under 36 CFR 211.18(b)(11) that my direction of September 25, 1984, is a preliminary planning process decision.

2. Based on that determination, dismiss the appeal as filed by Industrial Forestry Association.

/s/ Hugh Black Jr

JOHN F. BUTKOVICH
Deputy Regional Forester

Enclosure -

cc:
Appellant (Industrial Forestry Association, R. Bailey) (CNRRR)
WO, NFS - Systems Coordination (Fleng)
OCC (Simmons)
PLAN (ALampi, Ackerman)

JLCaswell:tcn:11/16/84:Appeals: Wildlife MBR

AVAILABLE

INDUSTRIAL FORESTRY ASSOCIATION

200 S.W. Broadway / Room 400
Portland, Oregon 97205-3709
(503) 222-9525

November 29, 1984

Mr. R. Max Peterson, Chief
U.S. Forest Service
P.O. Box 2417
Washington, D.C. 20013

Dear Mr. Peterson:

We are in receipt of 1570 LMP appeals letter, dated November 20, from R-6 Deputy Regional Forester Butruille to you regarding our notice of appeal on the approval by the Regional Forester of the Minimum Management Requirement (MMR) formulations for each Forest. Mr. Butruille argues that the approval constitutes a "preliminary process decision," which is unappealable under 36CFR 211.18 (b)(11).

The Regional Forester may indeed regard this approval as a preliminary planning decision, but the practical effect is quite the opposite. In discussing the MMR package with individual forests, and reviewing available planning documents, it is clear that the MMRs are considered absolute minimums. (See attachment). In fact, some forests attempted to provide alternatives for meeting the intent of the MMRs to the Regional Office, but were directed to conform to the direction. An apparent conflict with Mr. Butruille's comment that the MMRs were never directed to be implemented by the Forest prior to the Plans, is that the Forests are implementing the Spotted Owl MMR on the ground. Additionally, we have a serious concern that timber sales returned under the Timber Payment Modification Act will be "re-worked" to include most MMRs.

Industry has followed the development of the Minimum Management Requirements since the concept evolved in 1981 as a means of meeting NFMA requirements. We have presented and documented arguments questioning their scientific validity, the Region's interpretation of NFMA and the regulations, and the process used to develop the MMRs. We would appreciate the opportunity to summarize those arguments in a Statement of Reasons. We are therefore, asking that you accept our appeal for review of the Regional Forester's September 25 memo.

We believe that allocating from the Regional Office approximately 2.4 million acres of Forest Service land in Region 6 to some type of wildlife habitat emphasis (of which 1.7 million acres is suitable for timber production), constitutes a significant action deserving of review by your office. Few, if any, planning decisions will have such significance.

50 YEARS FORESTRY LEADERSHIP IFA IFA

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While we understand the need for some regional consistency in interpretation of the NFMA requirements and regulations, we believe that the MMRs constitute a decision which will materially affect not only timber, but other programs without ever having been subjected to a NEPA-style environmental and economic analysis. Earlier in the process we recommended to the Region that the MMRs be given such an analysis in the Regional Guide. To our dismay, the only MMR addressed in the guide was the Spotted Owl.

In summary, we ask that the Deputy Regional Forester's memo requesting dismissal of our appeal be overruled and that we be permitted to pursue our appeal. We also ask that additional time be granted to file a Statement of Reasons, particularly in view of the two extensions granted to appellants on the Regional Guide.

Sincerely,

R.T. Bailey

Richard T. Bailey
Director of Planning &
Special Projects

RTB:lf
Attach.
cc: Jeff Sirmon
Art Briggs
bc: John Crowell

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ATTACHMENT

The reference in Mr. Butru lle's letter to the Regional MMR Direction package deserves comment. Two quotes from the February 9, 1983 direction serves to illustrate our concerns as to when, if ever, the MMRs won't be met:

> P.3 ..."Generally, alternatives will be developed using these Minimum Management Requirements as a starting point, adding additional management requirements designed to achieve the goals and objectives of a particular alternative, and complying with other procedural requirements for Forest Planning." (Emphasis added)
>
> P.4 ..."The second implication of the theoretical nature of the Benchmark and Alternative analysis is that it is not sufficient to address the Minimum Management Requirements simply by incorporating them in the planning analysis. It is necessary to insure that the requirements will be met during the implementation of the Forest Plan also. Different standards and strategies may be needed to actually meet these requirements on the ground. This implementation direction should be included in the Forest Plan." (Emphasis added)

In a question and answer memo regarding the MMR interpretations to Forest Supervisors dated May 18, 1984, the responses to a question from a Forest seems to confirm our concerns:

> "#15. Comment: This direction requires so much habitat beyond that needed for viability that few, if any, options remain for alternative analysis.
>
> Response: This direction is minimum. Higher levels can be developed for alternatives." (Emphasis added)

In meeting minutes of a 5/29/84 internal Forest Service meeting on Wildlife MMRs with the objective of "understanding" them, statements made additionally concern us:

> P.3 ..."The development of MMR's is not an end in itself; it represents a floor below which alternatives should not fall. The MMR is a minimum threshold which we expect would be exceeded in most alternatives." (Emphasis added)
>
> and "2. There is a very large amount of effort involved in doing the analysis of model results in order to be assured that the MMR's can in fact be met on the ground." (Emphasis added).

Finally, a memo to the Chief by the Regional Forester dated March 26, 1984, asking approval for the MMR direction "clarification" contains another statement which also confirms our concerns:

> P.1 ..."This direction would also mean that habitat would likely be maintained, for distribution purposes beyond that necessary simply to maintain viability." (Emphasis added)

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EXHIBIT 8

NATIONAL FOREST PLANNING IN REGION SIX
A STATUS REPORT FROM INDUSTRY'S PERSPECTIVE

PREPARED BY:

JIM GEISINGER
WESTERN FOREST INDUSTRIES ASSOCIATION

INTRODUCTION

The wood products industry in the northwest region is experiencing a significant change in structure. While the changes we are experiencing were most likely inevitable, they were surely accelerated by the diasterous depression that occurred in lumber markets between 1981 - 83. Hardly a day goes by that the media doesn't announce some news about a mill closure, a firm's intent to sell its manufacturing facilities or a corporation withdrawing its investments in this region and reinvesting its capital in some other region or industry. It would be a mistake, however, to conclude from this news that the industry is leaving the Northwest or that the industry doesn't need timber. The fact is that lumber and plywood production has not skipped a beat in the last few years despite the loss of a significant number of manufacturing facilities. The firms that are left in the Northwest are producing more than they ever have before and have more than absorbed the capacity idled by the mill closures you have read about in the paper.

Of greatest significance to our discussion this evening is the fact that the firms that are left in the Northwest, and the firms that will comprise the majority of the production capacity in this region for years to come, are those that have been and always will be dependent on public timber as their primary source of raw material. If I leave you with no more than just one thought as a result of this discussion, I hope it is that the timber industry is in more need of a stable and high level supply of national forest timber today than ever before.

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Unfortunately, timber supply from the national forests in Region Six is in greater jeopardy today than it has ever been. While many members of our congressional delegation naively thought they had resolved the issue with the passage of wilderness legislation in both Washington and Oregon in 1984, it is now clear that the two million acres of forest land and over 200 million board feet per year of timber supply lost as a result of that legislation is just the tip of an iceburg of monumental proportions. Forest plans now being prepared pursuant to the National Forest Management Act of 1976 (NFMA) may result in timber supply reductions that will dwarf those imposed by the Wilderness legislation. Even though no forest plans have been published in Region Six, planning has proceeded to the point that we know it is virtually impossible for the region to maintain its current sale program. In fact, it is likely that a timber supply reduction in excess of 1 billion board feet per year from current levels is highly probable. Furthermore, it is apparent that the timber production target established by Congress for 1985 in the Current RPA Program for Region Six will be missed by 1.5 billion feet. Yet the RPA Program is allegedly a driving force behind the forest planning effort.

We in the industry find these results unnecessary and unacceptable. I would like to spend the remainder of this evening discussing our concerns with the forest planning process and how some of these devastating impacts can be avoided.

FOREST PLANNING UNDER NFMA - OVERVIEW

NFMA required the Forest Service to prepare integrated resource management plans on all national forests in this country. The timber industry had no reason to fear this legislation and, in fact, many welcomed it as a source of stability and predictability for future timber supply. By integrating national timber objectives established by Congress with regional direction published in the Regional Guide and the development of forest-level plans, NFMA proposed a logical and goal-oriented process for preparing forest plans and determining appropriate timber production outputs. Figure One shows the range of timber outputs that were displayed in the Region Six

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Regional Guide within which forest planning alternatives were to be developed. With a potential to produce 7.4 billion board feet per year and a minimum timber output level of 4.2 billion feet, the industry was confident that the planning process would produce plans with acceptable timber production levels.

The NFMA planning regulations require the Forest Service to formulate a range of alternatives to be displayed and analyzed in draft forest plans and EISs that are, "distributed between the minimum resource level and the maximum resource potential to reflect the full range of major commodity and environmental resource values that could be produced from the forest." (36CFR219.12). The Regional Guide describes the "minimum capability" for timber production to be 4.24 billion feet per year. It also describes the "maximum potential" to be 7.4 billion feet per year. The timber industry fully expected the forest planning process to examine a range of alternatives that produced timber outputs within this range as prescribed by the Regional Guide. We have now discovered, however, that the maximum timber production level to be considered in draft forest plans (on a regional basis) is considerably less than the current timber sale program today. How the Forest Service thinks it is being responsive to the NFMA requirement to develop a full range of alternatives when it has already foreclosed opportunities to even maintain current timber production levels, even before the first forest plan is published, is a major industry concern.

But why has the planning process, as administered by Region Six, produced such low expectations for timber production?

The answer to this question was clearly in the Forest Service's interpretation of NFMA requirements. While most people in the industry viewed the resource management requirements of NFMA as being no different than the management that is being practiced today, the Forest Service obviously has interpreted it as requiring a new and profoundly different management emphasis. The new agenda for managing the national forests is best illustrated by three tasks that each forest must accomplish prior to the development of a range of alternatives or publication of a draft forest plan and EIS. All 19 forests in Region Six have accomplished these three tasks which are; 1) the determination

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of lands suitable for timber production, 2) the allocation of land to meet the minimum resource management requirements of NFMA, and 3) the calculation of new timber yield tables. It is the results of these three tasks that has driven down the timber production capability of this region to a level that is less than today's timber sale program, even before the first of any "multiple use" alternatives are considered. Each of these three items will be addressed separately.

DETERMINATION OF SUITABLE LANDS

One of the early steps in the forest planning process is to determine how much of the national forest land base is capable, available and suitable for timber production. According to the Regional Guide, there is over 22 million acres of forest land in Region Six (see Figure Two). After accounting for unproductive forest lands, land withdrawn for Wilderness, Research Natural Areas, other land set aside by Congress or the Secretary and constraints imposed by existing management plans, the Forest Service has determined that there was 15.8 million acres of commercial forest land in the region prior to applying the NFMA suitability criteria. It is interesting to point out that even prior to NFMA planning there was over 6 million acres (27 percent of the total) of forest land preserved for non-commodity uses in this region.

For the purpose of establishing a land base from which alternatives can be developed, the NFMA regulations say that all forest land is to be considered suitable for timber production except those:

1) that do not meet the definition of forest land (must have 10 percent tree cover);
2) where technology is unavailable to ensure that timber production would not cause irreversible resource damage to soil and water;
3) where reasonable assurance does not exist that land could be restocked within five years; or
4) that have been withdrawn from timber production by an act of Congress, Secretary of Agriculture or Chief of the Forest Service.

Based on these criteria; the industry fully expected the suitable land base, under NFMA, to be considerably larger than the commercial forest land (CFL)

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base under existing plans. The intent of the initial suitability determination was simply to identify the lands that were biologically able to produce a sustainable volume of timber. In this regard, criteria No. 1 and No. 4 were relatively easy to apply and there is little argument over land that fell into these two categories. However, No. 2 and No. 3 require much more subjective judgments and have proven to be a source of considerable controversy between the Forest Service and industry. Based on its interpretation of these two criteria, the Forest Service has declared nearly 2 million acres as unsuitable because of regeneration and irreversible resource damage concerns. The total land base determined to be suitable under the NFMA regulations is 14.5 million acres (see Figure Two), a reduction of over 1.3 million acres from the land base previously determined to be commercial forest lands under existing plans. Clearly, the land suitability determination process did not meet industry's expectations.

We have two basic concerns with the suitability issue. First, we believe there is a large degree of error in the determination process due to the lack of field verification and the misapplication of aerial photo interpretation techniques. The net result was an overly conservative estimate of suitable lands. The second major concern we have is in the interpretation of the regeneration and irreversible damage criteria. Economic practicability was not a criteria for making the initial determination of suitable lands. The economics test occurs in the alternative development phase of NFMA planning. I believe "technology" exists today to log any parcel of land without causing irreversible resource damage. It may be very expensive to do, but technology is available to do it. Likewise, experience shows that "reasonable assurance" exists to reforest almost any site even if it takes a backhoe to dig holes, fill with top soil and plant ten-foot trees. The point is that "reasonable assurance" exists to reforest most sites within five years and that is the only criteria that is relevant to the initial suitability determination. Yet the Forest Service has still found two million acres where technology does not exist to prevent irreversible damage or where reasonable assurance does not exist to obtain regeneration within five years. This is inconceivable to us.

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MINIMUM MANAGEMENT REQUIREMENTS

Perhaps the most controversial portion of the forest planning process in Region Six has been the imposition of minimum management requirements (MMRs) prior to the development of forest plan alternatives. In developing a range of alternatives, the only requirements to be imposed that would constrain the scope of the range are those necessary to assure that each alternative complies with existing laws and regulations. The NFMA regulations address the issue of minimum requirements in a most general way. They say that soil and water resources must be protected; a diversity of plant and animal communities must be provided to meet overall multiple use objectives; adequate fish and wildlife habitat must be provided to maintain viable populations of existing native vertebrate species; air quality must be maintained to meet state and federal statutes; etc. Most people would agree that these are reasonable requirements for any plan that would be seriously considered for managing a national forest. Many would argue that they are no different than what is being practiced on the national forests today. The Forest Service in Region Six, however, has interpreted these general requirements to be new and profoundly different direction than has been practiced in the past.

With assistance from its resource specialists in the fields of wildlife biology, soils and hydrology the Forest Service has transformed the general requirements of the regulations into prescriptive land management allocations affecting a total of 2.5 million acres of forest land. Of this total acreage, 1.8 million acres is land that would otherwise be suitable for timber production (see Figure Two). These land allocation constraints will be imposed on every forest plan alternative that will be seriously considered. In the industry's view, the withdrawl of such a significant amount of forest land without the benefit of public participation, the examination of a range of alternatives or an adequate analysis of economic and social impacts is a flagrant violation of the National Environmental Policy Act (NEPA). How the Forest Service can eliminate an area of land equal in size to the entire Willamette National Forest from its possible "decision space", as defined in the NFMA regulations, without being concerned about a NEPA violation is unfathomable. This is a major decision that will have a significant impact on the industry

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and dependent communities. The agency's justification for constraining forest plans in this manner has been that, "its the law" or "NFMA requires us to do this." These are unacceptable interpretations of NFMA.

The 1.8 million acres affected by the MMR constraints has the potential to produce 768 million board feet per year. Roughly 30 percent of this total can be attributed to harvest unit dispersion constraints, 25 percent to spotted owl habitat preservation, 25 percent to other wildlife habitat MMRs and 20 percent to preservation of riparian zones (see Figure Three). We believe these constraints are excessive and were never intended by NFMA to be imposed on the suitable land base prior to the development of alternatives.

On the Siuslaw National Forest for example, over 50 percent of the suitable land base is affected by the MMR constraints (see Figure Four). The effect of the MMR package on potential timber production is 144 million board feet per year. The industry simply believes that neither Congress nor the Committee of Scientists that authored the regulations ever intended their work to have these impacts or for the Forest Service to interpret their work as it has.

TIMBER YIELD CALCULATIONS

The third major factor that is driving the timber production potential of the national forests downward, even before draft forest plan alternatives are developed or analyzed, is the Forest Service's preparation of new timber yield tables for determining the potential of the suitable forest land to grow timber. Yield tables are the third leg of the stool that must be put into place prior to the construction of forest plan alternatives. The land suitability analysis was intended to establish the land base from which a sustained yield of timber could be produced in an environmentally prudent manner. The MMR analysis allegedly determined how much land needed to be withdrawn or constrained to comply with NFMA requirements for noncommodity resources. The third step, then, was to determine how much timber could be produced from the land that was determined to be capable, available and suitable for timber production. The timber industry was quite surprised to find that the Forest Service's new determination of the national forest's ability to produce timber was generally in the range of 10-15 percent lower than estimates made in earlier management plans.

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Other than the belief that it has "better information" the Forest Service cannot readily explain the reduction in growth potential. However, a key change that has occurred in how the yield projections are made is the utilization of computer growth simulation models. In order to accommodate the computerized nature of the planning process, the Forest Service has basically adopted two growth simulator models to generate timber yield projections. On the westside of the region DFSIM is used while on the eastside PROGNOSIS is used. These programs were developed utilizing regional data and growth assumptions. In order to tailor the model to each forest situation, forest planners were free to make adjustments and insert assumptions to reflect local conditions. The net result, in the industry's opinion, was an overly conservative estimate of the ability of the national forests to produce timber and, in some cases, a misapplication of the growth simulator models.

A final point that must be raised regarding growth projections is the wide variability of opinions within the scientific community about forest growth and management. These opinions range from very optimistic to very conservative and each opinion can usually be backed up with supporting data. Yet the Forest Service in most cases has chosen the conservative option without examining alternatives or other sources of information that may result in a more optimistic outlook regarding timber productivity.

FOREST PLANS

The stage is now set for alternatives to be developed and draft forest plans completed and published. It is our understanding that the Deschutes Forest Plan is now being printed and that preferred alternatives have been selected on six other forests. All of the forests have completed their benchmark analysis and their "decision space" has been defined.

An aggregate of the Max PNV Benchmarks, including MMRs, for all the forests in the region shows a maximum timber production potential of just 4.6 billion board feet per year (see Figure Five). This is roughly 500 million board feet per year less than the average timber sale level over the past five years. However, we all know that the forest plan alternative that produces the highest level of timber outputs will not be selected as the preferred alternative.

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Sources in the Forest Service have, in fact, told us that timber outputs under the plans which have had preferred alternatives selected average about 15 percent below the Max PNV with MMBs benchmark. Should this trend continue through the selection of preferred alternatives for the remaining twelve forests for which the Regional Forester has not yet selected preferred alternatives, the new regional timber sale program will be 3.9 billion feet per year (see Figure Five). This is not a scare tactic on the part of the industry to generate public or political support. It is an entirely reasonable prediction based on your own analysis and data. A one billion foot reduction in timber supply would be utterly disasterous for both the industry and the communities dependent on it. Roughly 20,000 jobs would be affected along with hundreds of millions of dollars in Federal, State and County revenues. These impacts are unacceptable and alternatives to them must be found.

Our major concern with the planning process is that it appears to be driven by a preconceived decision to push the timber sale program downward. But in addition to this concern, there are several others relevant to the NEPA requirements for preparing EISs. One, in particular, is the preparation of a "no action" alternative. The purpose of the "no action" alternative is to describe the current management of the forest, both in terms of land allocations and resource outputs, so the public can compare and analyze the merits of alternatives against the existing situation. Forests in Region Six, however, have prepared "no action" alternatives that produce timber outputs that collectively understate the current sale program by roughly 700 million board feet per year! These "no action" alternatives were calculated using the FORPLAN computer model, incorporate the new yield tables which are 10-15 percent lower than those actually in use, and are based on the new suitable land base. All of these factors contribute to a very erroneous description of the <u>current</u> timber sale levels in the region today. Based on data now being distributed by the Regional Office, the Forest Service is depicting the "current direction" benchmark to be 4.3 billion board feet based on board/foot cubic foot conversion factors developed in existing TM Plans or 4.0 billion feet using so-called "variable" conversion factors. When the public compares alternatives displayed in an EIS to a "no action" alternative that understates the timber sale program by 15-20 percent of what it actually is, an underestimation of the impacts

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those alternatives will have on the industry and dependent communities will surely occur. When CEQ required a "no action" alternative, we believe they meant just that; an alternative that described the current resource outputs and the costs and benefits associated with them. CEQ did not mean a manipulation of current direction that would severely mislead the public regarding the impacts of the other alternatives. We have brought this issue to the attention of the regional planning department on numerous occassions without any success towards changing the analysis. Our worst fears regarding the "numbers game" appear to be coming true. On numerous occassions in the recent past we have heard representatives of the Regional Office state that timber supply in the region will decline by 6-10 percent as a result of new forest plans. While such a reduction would be significant under any circumstances, you can imagine our chagrin to find out that this prediction was based on a "current situation" timber supply estimate of between 4.0-4.3 billion feet per year. We can only interpret such representations to be a deliberate attempt by the region to minimize the impact of its plans. The average timber sell level in Region Six over the past five years has been 5 billion board feet (see Figure Five). It is against this benchmark that alternative proposals should be measured, not some computer-manipulated figure that understates the actual timber availability by hundreds of millions of board feet. A continuance of the misrepresentations made in the past can only lead to unnecessary public confrontations.

CONCLUSION

The forest planning process in Region Six needs to be redirected. This region has an RPA timber target for 1985 of 5.455 billion board feet per year. In 1990, the target increases to 5.6 billion feet per year. Yet,based on this evening's discussion using Forest Service data, it is quite apparent that this Congressionally mandated target will be missed by over 1.5 billion feet. Of greater consequence, the current sale program on which the industry has established its manufacturing facilities is headed toward a reduction of 1 billion feet. The northwest cannot tolerate such a reduction.

There are indications that some people in the Forest Service believe a reduction of this magnitude is tolerable because of the closure of many manufacturing

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facilities during the past few years. This is simply an erroneous assumption. Lumber and plywood production has remained relatively stable as the remaining firms have picked up much of the capacity vacated by others. A clear trend has emerged in regards to the type of firm that is leaving this region. Those that remain and that will comprise the majority of the industry for decades to come are those that have and always will depend on federal timber for the majority of their supply. There is as great a demand today for federal timber in the northwest region as there has ever been.

No forest plans have been published as of this date. It is not too late to change the course of the planning process to make it more responsive to the local needs of the industry and dependent communities and to the national timber objectives established by Congress in the RPA Program. To do this, however, will require the Forest Service to reassess its interpretation of NFMA and its regulations. Key questions that the agency must ask itself include:

1) Does technology and reasonable assurance really not exist to assure regeneration or to assure the prevention of irretrievable resource damage on 2 million acres of national forest land? Does not the fact that the forest plan will be in effect for only ten years and that a monitoring system will be in place during its duration allow the Forest Service a degree of flexibility if it does, in fact, make an erroneous assumption in favor of timber production? If this is so, the benefit of doubt should rest in favor of timber production.

2) In requiring some very general minimum requirements, was it the intent of the NFMA regulations that 2.5 million acres of forestland (including 1.8 million acres of land that would otherwise be suitable for timber production) be allocated for satisfying those requirements prior to the point in the planning process when a range of alternatives are developed for consideration as the preferred alternative? Is the loss of 768 million board feet per year in timber production due to the MMRs, prior to the development of alternatives, consistent with the regulation's requirement that a range of alternatives extend from one that maximizes resource potential to one that minimizes resource outputs?

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3) Has the Forest Service examined all alternative methods of constructing timber yield tables to find the most appropriate method on each individual national forest? Do opportunities exist to justify and document a more optimistic prediction of future growth and yield? In this regard, is the agency being held hostage by the computerized nature of the planning process?

These basic components of the planning process must be readdressed if there is any hope of avoiding the catastrophic results we anticipate. Assurances by the Forest Service that the outcome will not be as severe as we see in its own data is not comforting. We cannot tolerate massive departures from non-declining even-flow simply to maintain the allowable cut. The land base for producing an adequate supply of timber must be kept intact in order to accommodate the industry's needs in the long run. The only way this objective can be accomplished is to broaden the "decision space" available to the Regional Forester for selecting preferred alternatives. As the planning process stands today, major reductions in timber supply seem unavoidable.

Given the changes the industry is currently experiencing and the growing dependence of the industry on federal timber supply, it is no exaggeration to say that the future of the social and economic stability of northwest communities lies in the Forest Service's hands. Why the Forest Service has chosen to interpret and implement NFMA in a manner that is so damaging to our industry and dependent communities is unknown. What is known, however, is that it is not too late to change the direction in which the planning process is headed. We ask that the Forest Service seriously reconsider its interpretation of NFMA and redirect its efforts in a more socially responsible way.

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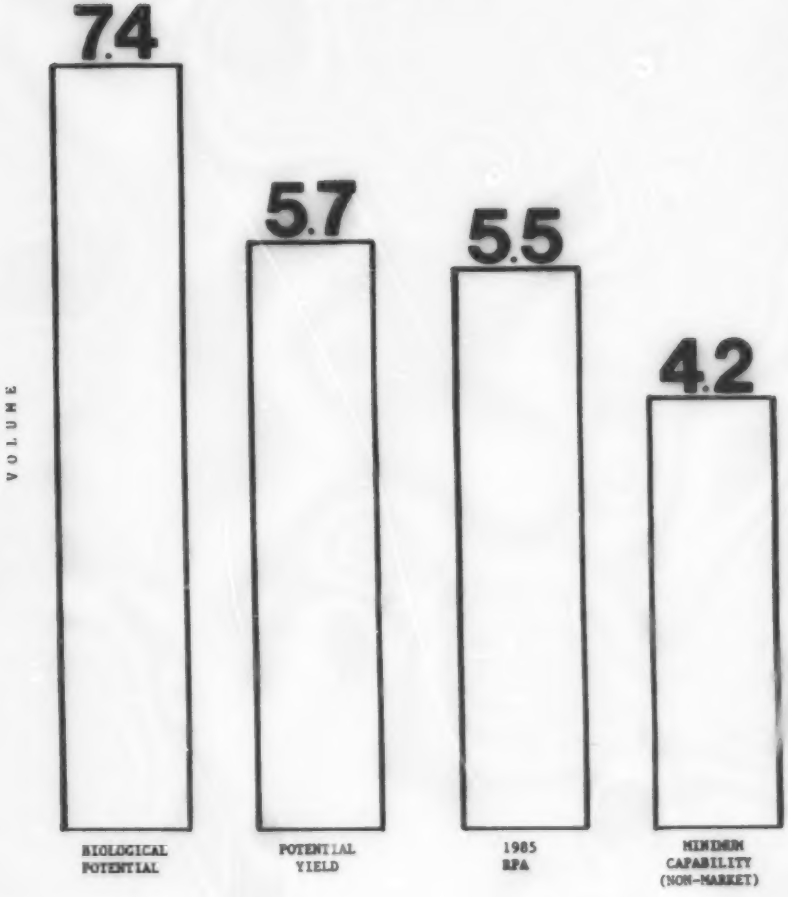
TIMBER PRODUCTION

REGIONAL GUIDE (BBF/YR)



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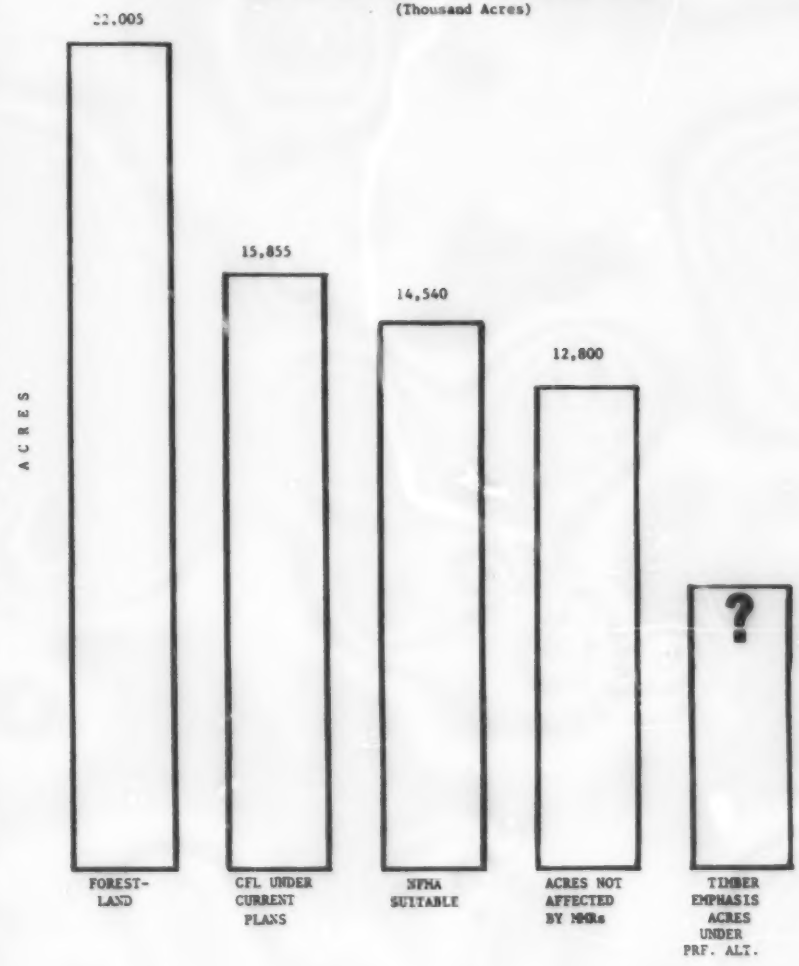
FOREST LAND BASE

ACRES OF FORESTLAND BY MANAGEMENT CATEGORY REGION 6

(Thousand Acres)



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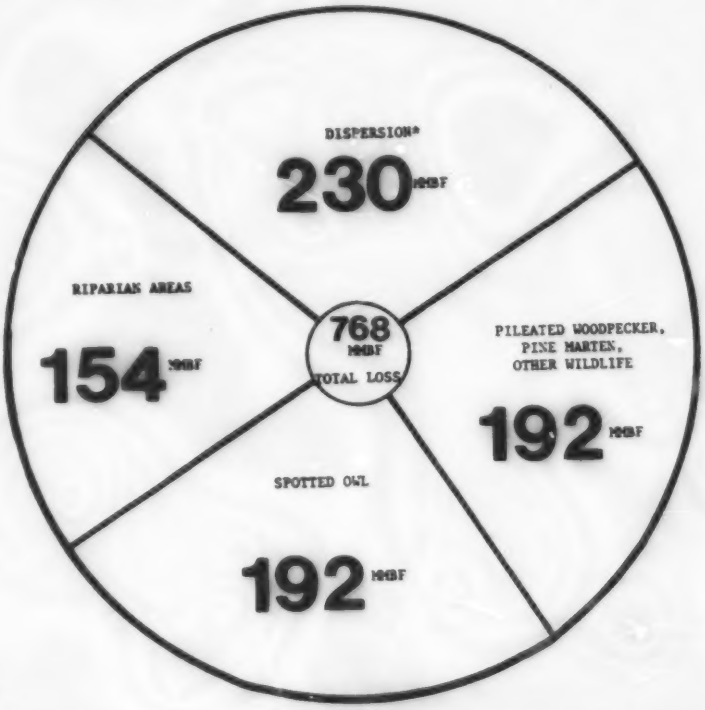
CARVING UP THE MMR PIE

Specific Losses for the Region 6
Minimum Management Requirements. 1
(MMBF/YR)



1 SOURCE: U.S.FOREST SERVICE REGIONAL OFFICE AND INDIVIDUAL NATIONAL FOREST ANALYSIS OF THE MANAGEMENT SITUATION (AMS) REPORTS.

* Depending on the forest, includes soil and water concerns, 40-acre clearcut limits, or no harvest adjacent to openings.

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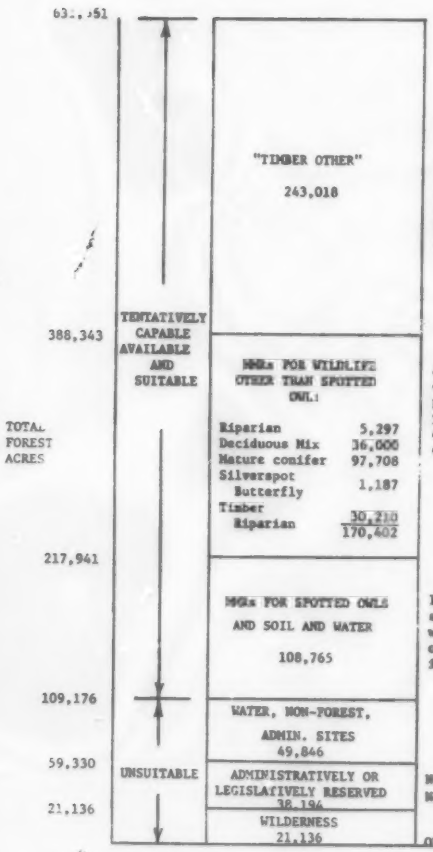
ACREAGE ALLOCATIONS FOR SUISLAW NATIONAL FOREST

BENCHMARK ANALYSIS INCLUDING MMRs



The remaining 243,018 acres is what is left for "multiple use planning". It is the maximum acreage that can be considered for "full intensive management" in any alternative. It defines the upper end of the possible range of alternatives. (I.E., This is what the public gets to consider for planning purposes.)

Although these MMRs will constrain each and every alternative, the prescriptions do allow some timber yield. The key point is that this acreage has been allocated prior to considering a range of alternatives.

Includes 100,273 acres of otherwise suitable land to protect soil and water and 40,000 acres for spotted owl. After overlap is considered, it totals 108,765.

National Recreation Area, Research Natural Area, Scenic Area, T & E Species

OREGON WILDERNESS ACT 1984

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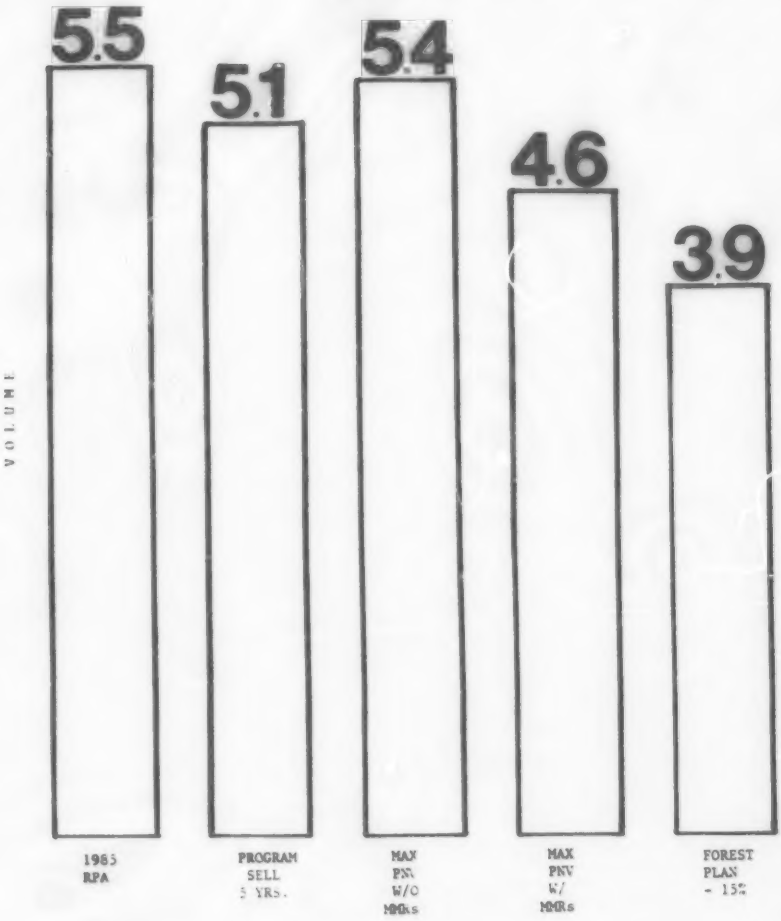
TIMBER PRODUCTION

RESULTS OF FOREST PLANNING



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APPENDIX B.—PREPARED STATEMENT BY RICHARD H. BRAUN, RESEARCH FELLOW, LEWIS AND CLARK LAW SCHOOL, PORTLAND, OR

My name is Richard H. Braun. I am currently a Research Fellow with the Natural Resources Law Institute at the Northwestern School of Law, Lewis and Clark College, in Portland, Oregon. The following testimony is my own and does not represent the opinion or policy of the Institute, Law School, or College. I believe that before this sub-committee or Congress takes any action to change the course of federal forest management policy, there should be a balanced, informed, and thorough record from which decisions are made. I offer this testimony to assist in building that record.

I.

The major thrust of industry's testimony is that Congress should prevent or modify the Forest Service's implementation of the National Forest Management Act in order to prevent reductions in timber harvest mandated by the Act. The justifications given for congressional intervention are: (1) the Forest Service has perversely interpreted the Act, (2) the Forest Service has wastefully and unnecessarily delayed release of NFMA plans, and (3) in any case, substantial reduction in timber sales from national forests were never the intended result of the NFMA.

The NFMA is a complex statute with a complex genesis. The Act cannot be properly interpreted without an understanding of its historical context and legislative history. An exhaustive, scholarly treatment of the Act entitled "Land and Resource Planning in the National Forests," 64 Or. L. Rev. 1 (1985), will be published this fall by the University of Oregon Law Review. The article is book-length and treats natural forest management

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law and policy on an individual resource basis from the 19th century to the present. I strongly suggest that the Committee review this article before making any conclusions about implementation of the NFMA. I was a research assistant to the authors of the piece and I offer some general observations in response to industry's assertions.

It is impossible to respond briefly to the assertion that the NFMA does not contemplate substantial reductions in timber harvest from national forests. However, it should be noted that the Act was passed in 1976 in response to congressional concern that timber production had effectively become a dominant use in the national forests.[1] Although the Forest Service ostensibly had been applying multiple-use management, in fact non-timber values were rarely allowed to significantly constrain timber production. Senator Hubert Humphrey, who introduced the bill that became the NFMA, expressed his intent in clear terms,

> "The days have ended when the forest may be viewed only as trees and trees viewed only as timber. The soil and water, the grasses and the shrubs, the fish and the wildlife, and the beauty that is the forest must become integral parts of resource managers' thinking and actions."

One of the congressional findings in the RPA, passed in 1974, reads,

> "the Forest Service ... has a responsibility and an opportunity to be leader in assuring that the Nation maintains a resource consideration posture that will meet the requirements of our people in perpetuity...." 16 U.S.C. § 1600(6) (emphasis added).

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These two examples give some flavor of the congressional mood during consideration and passage of the NFMA.

In effect, Congress instructed the Forest Service to apply a more conservative, less timber-oriented approach to managing the forests. Congress' repeated mandate that forest planning be an interdisciplinary effort is evidence that non-timber values are to be substantial constraints on timber production. Further evidence of this is codification of the Church guidelines. Although Congress reaffirmed commitment to multiple-use management, the NFMA was intended to reorder historical multiple-use priorities. Since 1897, the agency had been left virtually unfettered discretion. With the NFMA, Congress took the unprecedented tack of requiring the agency to consult with scientists who are not officers or employees in developing planning regulations. If anything, this requirement reflected Congress' loss of trust in the Forest Service's multiple-use priorities. Timber policy, overcutting of timber in the Bitterroot, the disaster of the South Fork of the Salmon River, and massive forest-type conversions in the eastern states forced Congress to reformulate the Forest Service's post-World War II priorities. It is unrealistic for anyone familiar with the NFMA to maintain that it was simply reenactment of the Multiple-Use Sustained Yield law. Under the NFMA, timber is largely the constrained resource; it remains available for use by the American people, but no longer at the expense of ecological health.

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II.

The forest products industry may agree that the NFMA mandates reduced harvests. However, industry consistently argues that Forest Service implementation of the NFMA is unreasonably conservative. The core of this argument maintains that the agency has insufficient knowledge or data to justify its decisions regarding wildlife habitat requirements.[2] Since those decisions are based on incomplete or developing data, uncertainty should be resolved in favor of timber production. Failure to do so, the argument goes, is unreasonable, arbitrary, capricious, and inequitable.

The fundamental question is how the Forest Service should treat uncertainty in planning. The RPA and NFMA demand that the Forest Service develop extensive inventory data. Congress was concerned that the agency had been managing the forest without sufficient knowledge to fully comprehend the ecological effects of that management. In 1979, during promulgation of the first NFMA planning regulations, the Committee of Scientists wrote,

> "Unfortunately, it does not follow that truly adequate resource data will be available to support the development of every plan. In many cases, inventory data are too fragmentary or insufficiently detailed to allow firm judgments in developing management programs of the complexity demanded by RPA/NFMA. In other cases, data on certain organisms, resources, or management effects have simply never been gathered."[3]

Further, the Committee recognized the virtual impossibility of obtaining such data in time to fully justify the first NFMA plans,

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> "Even if a Federal Government-wide crash program of data acquisition and storage were to begin tomorrow, it would not provide adequate data in time to be of much value in developing the first forest plans.... [T]he Forest Service cannot remedy decades of National indifference toward basic resource data in 5 years."[4]

This does not mean that the NFMA planning process is doomed.[5] Congress did not labor to produce unworkable legislation.

It is wrong to assume that where inadequate data exists planning decisions must reflect pre-NFMA multiple-use priorities. In fact, just the opposite is true. The conservation mandate of the NFMA must be applied to decisions involving uncertainty. It is fair to say that the NFMA mandate is assurance that the national forests will suffer little or no damage from management. Where insufficient data exists to fully justify a management decision, the Forest Service must assure that the decision errs in the direction of the least long-term damage to all multiple-use resources. It is unfair to chastise the Forest Service for making decisions which err on the conservative side.

The NFMA provides that the Forest Service may revise plans when appropriate.[6] Thus, as research and data is acquired, adjustments may be made. It is true that industry may be dislocated by the NFMA planning process. Because of the complex nature of the process and the enormous task of obtaining resource data, there necessarily will be a long-term maturation of forest planning. No "quick-fix" can substitute for that maturation process; in fact, such tampering will guarantee failure of the process. Industry points out that initial planning in Region 6

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may result in a 20% reduction in timber harvest (see Testimony of Mr. John Hampton). This focuses the primary question put to Congress: Prior to conclusion of the first NFMA planning round, should legislative politics be allowed to undermine the principles of scientific NFMA planning, risking destruction of the process simply to prevent an asserted maximum 20% reduction in timber harvest levels? Congress' NFMA demand that forest planning be scientific and interdisciplinary was implicit recognition that agency politics had played too large a role in Forest Service decision making. If Congress interjects a "top-down" goal in the NFMA process, the door will be open to unceasing erosion of scientific planning principles as political expediency requires. Such action should not be taken without the deepest consideration and gravity.

III.

During this hearing, Congressman Wyden expressed extreme displeasure at the length of the planning process. Mr. Wyden's remarks implicitly laid blame for the delay squarely with the Forest Service. However, examination of the planning process since 1976 reveals that blame for delay must be substantially shared by the Administration.

The NFMA was signed into law in late October 1976. The first set of NFMA regulations was not promulgated until 1979. The length of that process is attributable to the NFMA requirements of public participation, consultation with the Committee of Scientists, and the novelty of the process. The "deregulation" efforts of the newly elected Reagan Administration

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resulted in substantial revisions to the 1979 regulations, and further delay until they were promulgated in 1982. On January 19, 1983, Assistant Agriculture Secretary John B. Crowell sent a letter to Forest Service Chief Max Peterson demanding that the agency recalculate its resource trade-offs and threatening personnel changes if the results were not satisfactory. Mr. Crowell's insinuations could not have come at a better time to effect demoralization of the agency. Just three months earlier, the Ninth Circuit Court of Appeals ruled that the Forest Service's roadless area review process violated NEPA. See California v. Block, 690 F.2d 753 (9th Cir. 1982). The time following the court decision and Mr. Crowell's letter is referred to in the Forest Service as "the pause."

It is now October 1985. For the time being the ground has stopped shaking beneath the Forest Service. Despite two unfavorable court rulings within the year,[7] draft plans for some Region 6 forests will be published in a matter of months. Given the complexity of the process, the enormous amount of various resources in Region 6, and the post-1976 history of political pressure on the Forest Service, it is inappropriate to cast opprobrium at the agency for delay. Delay has been the result of several forces, to focus on just one is neither historically correct nor currently productive.

IV.

Congressmen Luken and Wyden are to be commended for holding this hearing. The forest products industry has traditionally been the cornerstone of the Pacific Northwest

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economy. Federal timber policy cannot ignore input from industry, neither can it ignore history or the long-term future. The principles of Gifford Pinchot have never been repudiated by the American people,

> "To the use of the natural resources, renewable or nonrenewable, each generation has the first right. Nevertheless no generation can be allowed needlessly to damage or reduce the future general wealth and welfare by the way it uses or misuses any natural resource."

I thank the Committee for this opportunity to set out my views.

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FOOTNOTES

1. Technically Congress was moved to action by the decision in West Virginia Division of the Izaak Walton League of America, Inc. v. Butz, 522 F.2d 945 (4th Cir. 1975). That decision enjoined clearcutting in the national forests as violative of the Organic Act of 1897. It is important to note that legislation introduced to simply nullify the decision was rejected with little consideration. Congress quite clearly intended to reshape national forest timber policy.

2. The current major furor regards the amount of old growth timber set aside as habitat for the spotted owl. The bulk of current research on the owl indicates that it requires about 1000 acres of old growth forest per owl pair. Old growth forest is particularly rich in merchantable sawtimber. Industry vigorously disputes the acreage requirement for the owl and argues that the Forest Service has insufficient data to legally justify its old growth set-asides for the owl.

3. Final report of the Committee of Scientists (1979).

4. Id.

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5. Region 6 Deputy Regional Forester John Butruille testified that the bulk of Region 6 planning expenditures relate to data and inventory acquisition. This is precisely what was contemplated by the Committee of Scientists. The Forest Service is in the unenviable position of suffering pressure to release plans while attempting to "remedy decades of national indifference toward basic resource data."

6. 16 U.S.C. § 1604(a).

7. Thomas v. Peterson, 753 F.2d 754 (9th Cir. 1985); Northwest Indian Cemetery Protective Association v. Peterson, 764 F.2d 581 (9th Cir. 1985).

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